Planet Tracker

The Sustainability Pay Gap

An analysis of executive compensation in the Chemicals, Consumer Goods and Transport sectors

May 2025

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Executive summary

In their corporate reporting, companies across sectors typically list sustainability-related challenges (for instance climate change, environmental breakdown) as potentially significant risks to their business. Given management teams clearly see these sustainability challenges as potentially material headwinds, these risks should also be on the radar for investors. Incentivising management teams to take action to address corporate sustainability issues, or indeed penalising executives financially for not tackling these challenges adequately, seems logical.

In previous research papers, Planet Tracker has examined the link between sustainability performance and executive pay in the *Plastics Industry*, the *Textiles Industry* and the *Advertising Industry*. Of 39 plastic-related companies analysed, 16 (41%) had no link between sustainability deliverables and pay. Of the 30 textile companies analysed, 17 (57%) were found to have no sustainability compensation link. Of 5 major advertising agencies, only one (20%) showed no link between pay and sustainability performance.

In this report, we expand this analysis to the Chemicals, Consumer Goods and Transport sectors and conclude that these sectors still have a long way to go on linking sustainability performance to pay. Interestingly, Consumer Goods was the worst sector, with 36% (4 out of 11) of the analysed companies displaying no link between pay and sustainability performance at all. Given the consumer facing nature of this sector, and thus the ostensible value of their brand and any green halo, it is perhaps surprising that they seemingly care least about linking pay and actual sustainability performance.

Short-term and long-term compensation

Overall, 42% of our analysed companies had no link between short-term compensation and sustainability. Chemicals had 3 out of 10 (30%) companies with no link, Transport 4 out of 10 (40%) whilst Consumer Goods had a more disappointing 6 out of 11 (55%) (Table 1).

55% of our analysed companies had no link between long-term compensation and sustainability. Transport had 4 out of 10 companies without a link (40%) and Chemicals 6 out of 10 (60%). Again, Consumer Goods lagged, with 7 out of 11 (64%) companies showing no link between sustainability and long-term compensation (Table 1).

We find it somewhat surprising that it is more common to see sustainability performance included in annual targets than linked to long-term incentives among the companies we analysed. **Given the long-term challenge of addressing climate change, we would expect long-term targets to be at least as common as those for annual incentives**. We also note that with long-term incentives (LTI) often representing 75% or more of a CEO's total pay package, including a sustainability target in this scheme is likely to be more meaningful as an incentive to take sustainability seriously.

Table 1: Executive compensation ratings. Source: Planet Tracker.

Sector	Company	STI	LTI
Chemicals	BASF	C4	A1
	Bayer	C4	B1
	Dow Inc.	B4	A1
	Incitec Pivot	B1	D5
	Air Liquide	B2	A1
	Lyondell Basell	A1	D5
	SABIC	C4	D5
	Toray Industries	D5	D5
	Nan Ya Plastics	D5	D5
	LG Chem	D5	D5
Consumer Goods	Coca-Cola	D5	A1
	Colgate-Palmolive	B2	D5
	Danone	A1	A1
	Nestlé	A1	A1
	Pepsi	B4	D5
	Procter & Gamble	B3	D5
	Target Corp	D5	D5
	The Home Depot	D5	D5
	Unilever	D5	A1
	Walmart	D5	D5
	Woolworths Group	D5	D5
Transport	Air France-KLM	A1	A1
	American Airlines Group	D5	D5
	Qantas Airways	A2	D5
	General Motors	A1	D5
	Honda	D5	B2
	BMW	B1	A1
	Ford	A1	D5
	Toyota	D5	B2
	Mercedes-Benz Group	B2	B1
	A.P. Møller - Mærsk	D5	B2

Investor call to action

Planet Tracker believes shareholders should apply the appropriate level of scrutiny and hold to account companies when it comes to the actual mechanics of sustainability-linked performance pay. In particular, this includes:

- **Material** – Performance-linked pay that is material. We would like to see a meaningful percentage of compensation (10%+) at risk based on sustainability performance.
- **Verified** – Independently verified targets and results. Independently verified targets on sustainability provide a defence against greenwashing and can allow comparison between companies. A good example is the "Science Based Targets" initiative which requires firms to set independently verified targets and report on these in a set format.
- **Quantitative** – Quantitative targets where possible – financial performance accounts for the bulk of pay and typically links to clear, defined, quantitative targets – for instance profit margin. Sustainability targets should align with this clear, quantitative approach.
- **Annual & Longer-term** – Targets for sustainability rewards should be annual as well as longer term. We believe annual (cash) awards need annual sustainability progress targets, not just vague indications of travel.
- **Independent** – Independent payment triggers. Financial targets should not trump sustainability ones making them potentially obsolete, for instance, when a profitability target must be achieved before any sustainability-linked targets are considered. Sustainability delivery needs independent reward.
- **Clear** – Clear disclosure of what has and hasn't been achieved. Direction-of-travel targets and qualitative targets lend themselves to opaqueness. Clear delivery links are needed.

Introduction

A quick introduction to compensation structures

It is usual for senior executive officers at major corporates to see a significant portion of their pay tied to performance (sometimes referred to as pay at risk). Typically, a senior executive will receive a basic fixed salary, a short-term (annual) incentive, and a long-term (usually 3 or 4 year) incentive.

We would summarise a typical structure as:

- 80% plus of compensation at risk and often over 90%, particularly for executive chair / CEO.
- Basic pay and short-term performance compensation made in cash.
- Long-term incentive plans based on share awards, with multi-year vesting period.

We provide a high-level glossary for the report and corporate remuneration discussion below.

Compensation glossary

Short-term incentive scheme - STI – Annual performance based bonus payment.

Long-term incentive (plan) - LTI(P) – Multi-year incentive-based bonus payment. An award is made annually, but final payout amount is determined over a multi-year assessment period (3 or 4 years is typical).

Performance stock unit – PSU – A form of stock based compensation. Are a promise to issue the awardee with stock based on meeting performance conditions. Typically, no new shares are issued when a PSU is granted.

Restricted stock unit – RSU – An award of shares made to the employee, but which cannot be sold until they reach the end of a certain period. They are intended to incentivise the executive to drive share price appreciation. We note that RSUs can also feature a performance requirement.

Fixed pay – The base salary paid annually.

Target award – The starting payout for a performance based scheme. Can be modulated up or down by performance. Is often set as a multiple of fixed pay.

Vesting period – The period over which a LTI award is assessed and at the end of which the final payout is calculated.

How did we select the companies analysed?

We used the companies and sectors listed in both the CA100 and NA100 as the basis for our selection. The 31 companies analysed in this report come from three broad sectors; Chemicals, Consumer Goods, and Transport. These groups were chosen based on representing sectors known to have substantial environmental impacts. The groupings complement our prior work on the Plastics Industry, the Textiles Industry, and the Advertising Industry. We list the companies analysed in this report, by broad sector in Table 2.

Table 2: The companies included in this report. Source: Planet Tracker.

Chemicals	Consumer Goods	Transport
BASF	Pepsi	Air France-KLM
Bayer	Coca-Cola	American Airlines Group
Dow Inc.	Colgate-Palmolive	Qantas Airways
Incitec Pivot	Danone	General Motors
Air Liquide	Unilever	Honda
LyondellBasell	Walmart	BMW
SABIC	Procter & Gamble	Ford
Toray Industries	Nestlé	Toyota
Nan Ya Plastics	The Home Depot	Mercedes-Benz Group
LG Chem	Target Corp	A.P. Møller - Mærsk
	Woolworths Group	

What do the companies say about the importance of sustainability?

Corporate sustainability reports and corporate websites often contain risk materiality profiles produced by the company. These typically take the form of graphical representations of the perceived risk profiles for the company from two viewpoints:

1. That of the company (internal: business/operations).

2. That of other stakeholders (external: shareholders, customers etc.).

Materiality (low to high) can vary depending on the viewpoint. By examining these risk materiality matrices, we can see what corporate management teams consider as significant risks to their businesses and as relevant for their key stakeholders. We show an example from Ford in Figure 1.

In 2023, Ford's materiality matrix placed climate change as amongst the most significant business risks (upper right segment), whilst also noting other sustainability topics as potentially material risks, such as energy consumption, environmental management and air quality.

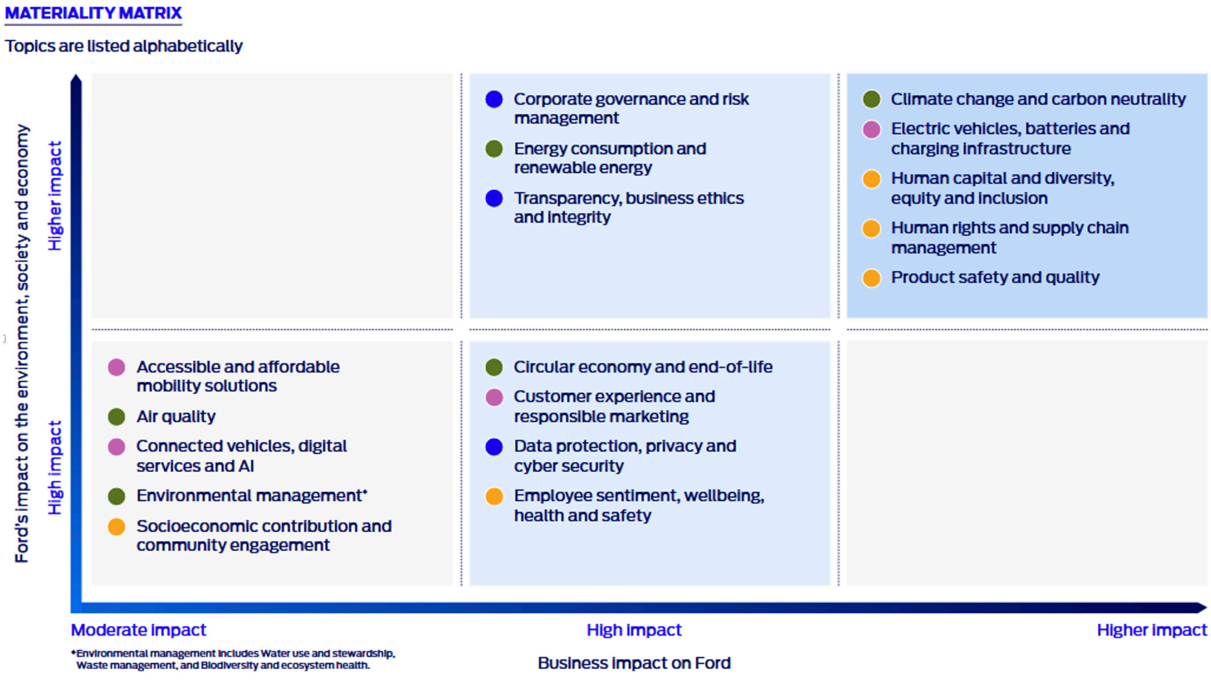


Figure 1: Ford Materiality Matrix. Source: Ford Integrated Sustainability and Financial Report 2023.

Figure 2 shows an example from the Consumer Goods sector, from Danone. Again, climate change and a number of other environmental related risks are noted as potentially significant.

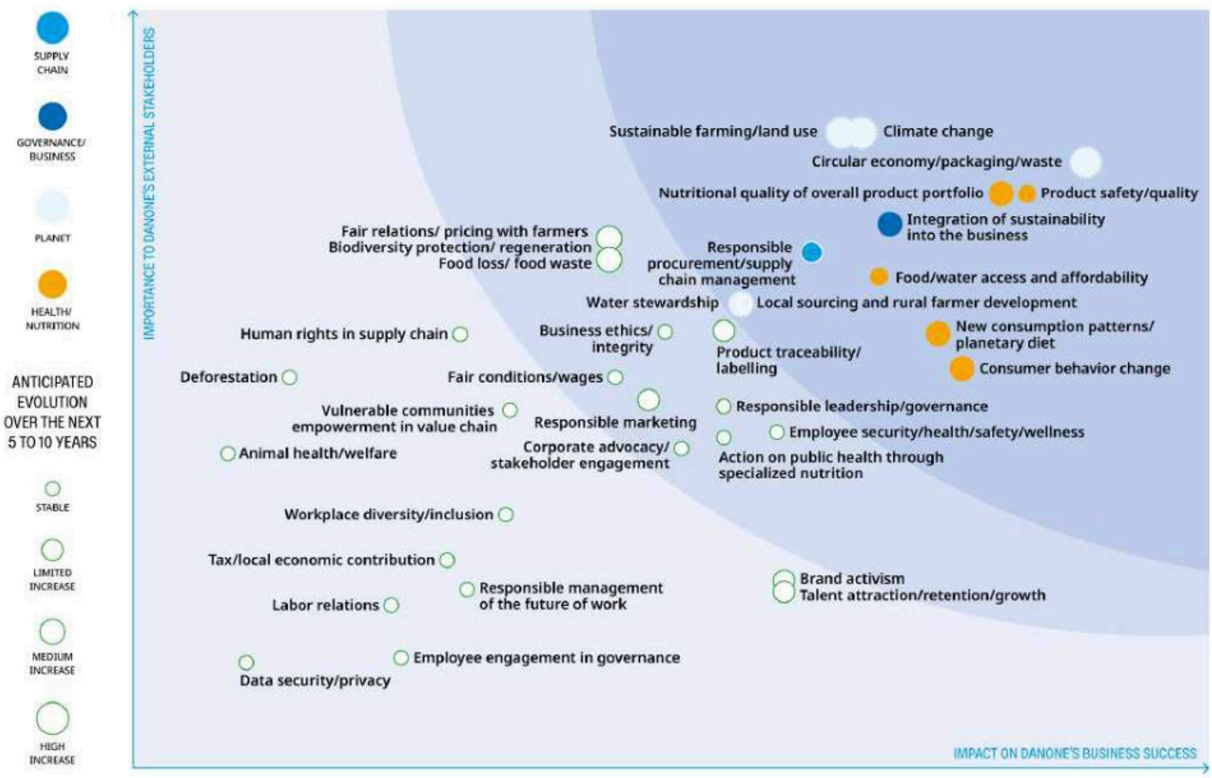


Figure 2: Danone materiality analysis. Source: Danone Universal Registration Document 2023.

Companies will often also discuss potential risks in their annual reporting, with sustainability challenges again often featuring. For instance, Incitec Pivot notes Climate Change as a risk:

"...there are physical risks associated with climate change which could impact on IPL's operations, supply chains and customers." – Incitec Pivot 2024 Annual Report.

Taken together, the inclusion of sustainability challenges as potentially significant risks to businesses across all of our analysed sectors suggests these are risks that should also be on the radar for investors.

Academic research has also suggested a link between addressing material sustainability issues and positive returns[1]. It has also suggested that management quality is important in driving these returns[2].

Given the acknowledged risks and the link between addressing sustainability issues and positive returns, incentivising management teams to take action to tackle sustainability, or indeed penalising executives financially for not tackling the challenge adequately, seems logical.

Engaging with companies on compensation

Planet Tracker is a strong advocate of discretionary compensation linked to positive environmental action. This linkage needs to be clear, material and extend to all relevant areas.

For shareholders, we have discussed above why engagement on this issue is important. Helpfully, in many cases, this engagement is also relatively simple. Many countries require management teams to hold a vote on executive compensation – a 'say-on-pay'. An analysis by the OECD of 49 countries demonstrated '88% having provisions for binding or advisory shareholder votes on remuneration policy' (Figure 3). So investors do not need to negotiate with company management or seek regulatory approval for a shareholder proposal, as compensation will be voted upon as a matter of course. Additionally, it is relatively simple for asset managers' engagement professionals to check whether management statements on sustainability topics align with the pay metrics.

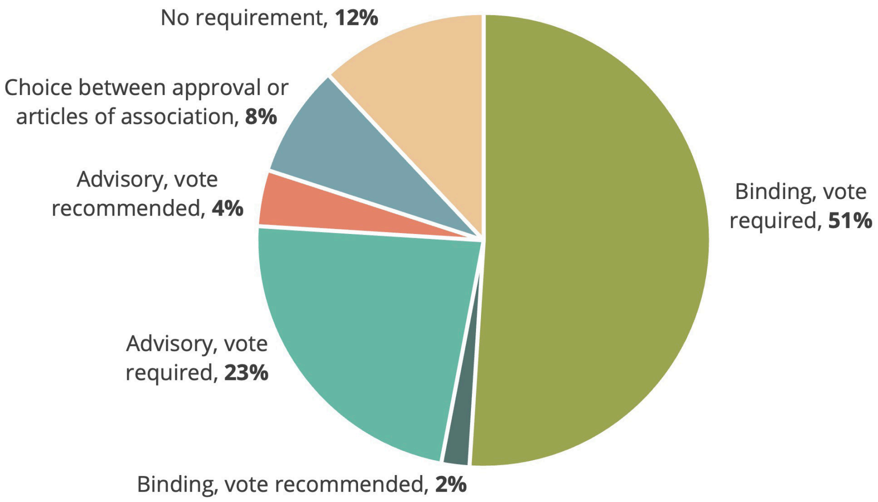


Figure 3: 88% of jurisdictions surveyed by the OECD require a binding or advisory vote on remuneration policy. Source: OECD Corporate Governance Factbook 2023.

How we analysed compensation

Planet Tracker has developed a proprietary framework to analyse compensation structures and their linkage to sustainability, explained in this section. The rest of this document applies this framework to each of the three sectors analysed, with company-specific analyses presented at the end.

What do we like/dislike?

We have outlined some of the features that we like or believe are necessary when it comes to sustainability-linked performance pay. We have also outlined some of those that we don't like.

Likes

- A "pay for performance philosophy" – with an appropriate mix of short and long term goals, rewards, and a performance benchmark that extends beyond purely financial metrics.
- Pay linked to sustainability performance – if companies claim sustainability is a risk, executive pay should feature a link to addressing this risk.
- Performance-linked pay that is material – we would like to see a meaningful percentage of compensation (10%+) a- risk based on sustainability performance.
- Independently verified targets and results – independently verified targets on sustainability provide a defence against greenwashing and can allow comparison between companies. A good example is the "Science Based Targets" initiative which requires firms to set independently verified targets for emissions reduction and nature impacts, and report on these in a set format.
- Quantitative targets where possible – financial performance accounts for the bulk of pay and typically links to clearly defined quantitative targets. Sustainability should align with this.
- Annual targets for rewards that are granted annually - we believe annual (cash) awards need annual sustainability targets.
- Clear disclosure of what has and hasn't been achieved - direction of travel targets and qualitative targets lend themselves to opaqueness. Clear delivery links are needed.

Dislikes

- The need to hit financial targets first before sustainability "top-up" occurs.
- Shareholders who don't use their holdings to support positive change when the current structure is sub-optimal.
- An "inward looking" approach, such as peer benchmarking or heavy reliance on consultants, which lends itself to greencrowding, a "greenwashing" sub-category.

The need for independently verified targets

Robust, independently verified environmental goals provide an ideal scorecard for linking pay to performance on a quantitative basis. Without this type of benchmark, goals risk being more qualitative in nature and the threat of greenwashing raises its head. The Science Based Target initiative (SBTi) is a good example of independent sustainability targets and can be a driver for a transition to quantitative linked pay for performance.

Most of the companies in our analysis have some sort of SBTi commitment on climate in place (Table 3). However, only 6 have near-term, long-term, and net-zero targets. None of those in our analysis have yet set Science Based Targets for Nature, something we hope will improve in coming years.

Having targets naturally lends itself to an annual progress scorecard and thus sets up the potential to link performance outcomes to compensation. We hope that setting science-based targets can be one factor in pushing more companies to introduce material sustainability targets in management compensation plans.

Table 3: Companies in our analysis that have SBTi commitments on climate. Source: Planet Tracker.

Sector	Company	SBTi Target		
		Near-term	Long-term	Net-zero
Chemicals	BASF			
	Bayer	1.5°C	1.5°C	2050
	Dow Inc.			
	Incitec Pivot			
	Air Liquide	well-below 2°C		
	Lyondell Basell	committed		
	SABIC			
	Toray Industries			
	Nan Ya Plastics	well-below 2°C		
	LG Chem	commitment removed		commitment removed
Consumer Goods	Coca-Cola	2°C		
	Colgate-Palmolive	1.5°C	1.5°C	2040
	Danone	1.5°C	1.5°C	2050
	Nestlé	1.5°C	1.5°C	2050
	Pepsi	1.5°C		committed
	Procter & Gamble	1.5°C		commitment removed
	Target Corp	2°C		committed
	The Home Depot	1.5°C		
	Unilever	1.5°C		commitment removed
	Walmart	1.5°C		commitment removed
	Woolworths Group	1.5°C	1.5°C	2050
Transport	Air France-KLM	well-below 2°C		
	American Airlines Group	well-below 2°C		
	Qantas Airways			
	General Motors	1.5°C/well-below 2°C		commitment removed
	Honda			
	BMW	1.5°C/well-below 2°C		commitment removed
	Ford	1.5°C/well-below 2°C		commitment removed
	Toyota	1.5°C/well-below 2°C		
	Mercedes-Benz Group	1.5°C/well-below 2°C		
	A.P. Møller - Mærsk	1.5°C	1.5°C	2040

The value of sustainability targets can be a judgement call

This report does not attempt to compare the quality of sustainability targets set by different corporates. Rather, we are looking to see whether such targets are included in management compensation schemes and how they are included. We acknowledge that a target to, for instance, increase the percentage of recycled feedstock, is very different to cutting Scope 3 carbon emissions. Both of these example targets can also be critiqued as to their value and how a corporate is approaching the challenge. Such comparisons and criticisms is beyond the scope of the current report, but is worthy of bearing in mind when examining any particular corporate scheme in greater detail.

Do the companies include sustainability in executive compensation?

Our analysis focused on:

1. Whether the 31 companies have a sustainability policy with explicit sustainability goals (for instance, Science Based Targets). All 31 companies did have a sustainability policy and explicit goals.

2. Whether there is a compensation policy with pay-for performance dynamics for short-term pay.

3. Whether there is a compensation policy with pay-for performance dynamics for both short term and long term pay.

4. Whether there is a link between sustainability and performance-based pay.

5. Whether this link is based on quantitative targets rather than qualitative criteria.

6. Whether the targets are clearly disclosed, and performance reported annually.

Rating methodology

We have summarised our company level compensation analysis using letters (structure) and numbers (materiality). This “score” gives a quick indication of where a company sits on the sustainability-compensation link pathway.

For materiality, we examine how material sustainability targets are to the overall payout potential of the scheme. The following ratings apply:

‘1” – a material link (>10%) between performance and reward

‘2” – a noticeable link (>5%) between performance and reward

‘3” – an immaterial link (<5%) between performance and reward

‘4” – an unclear quantum of the link between performance and reward

‘5” – no link / not relevant

For structure, we look at whether the compensation scheme includes sustainability targets and how they are used. The following ratings apply:

‘A” - a link between sustainability and compensation definitely with quantitative target(s)

‘B” - a link between sustainability and compensation possibly with quantitative target(s)

‘C” – a link between sustainability and compensation but without quantitative target(s)

‘D” – no link between sustainability and compensation

For example, a company with a link between sustainability and pay that is not based on quantitative targets (‘C” score) and that accounts for 8% of target total compensation (‘2” score) would rate ”C2”.

We examine the short-term (annual) payment scheme and the long-term incentive scheme separately.

The gradations of our rating scale are necessarily subjective and sometimes it can be hard to tell whether a company falls into one grading or another because disclosure is unclear.

We also note that the devil is sometimes in the detail of the schemes. Our rating scheme does not capture where sustainability targets are present but can be overridden by outperformance in another area. For instance, sustainability targets are not used if profit growth performance is very strong (Dow is an example of this scheme design – see *The devil is in the detail* – page 17). In these cases, we rate the company at the level for which the scheme design overall would appear to qualify them.

Chemicals

The company by company analysis for the Chemicals group can be found in the appendix to this report.

The chemicals sector is one with a substantial environmental footprint. This comes from both the greenhouse gas emissions caused by its processes and embedded in its products (many chemicals use fossil fuels as a building block), and also from the toxicity of its products if they are inappropriately used or managed. It is noteworthy that this is the sector in our analysis with the fewest companies having set SBTi targets for GHG reduction (4 out of 10).

Looking at the design of short-term incentive schemes (Figure 4), the leaders were Lyondell Basell rated A1, and Incitec Pivot rated B1. The laggard group was Toray, Nan Ya Plastics and LG Chem, all rated 5D for no link to sustainability.

Looking at the design of long-term incentive schemes (Figure 5), there is a very obvious split, with a group of BASF, Bayer, Dow and Air Liquide rate A1, while the rest of the group were rated 5D. We note that the positive ratings for some names must be interpreted with caution, given that the sustainability goals can be overridden by other targets (see the *The devil is in the detail* section – page 17).

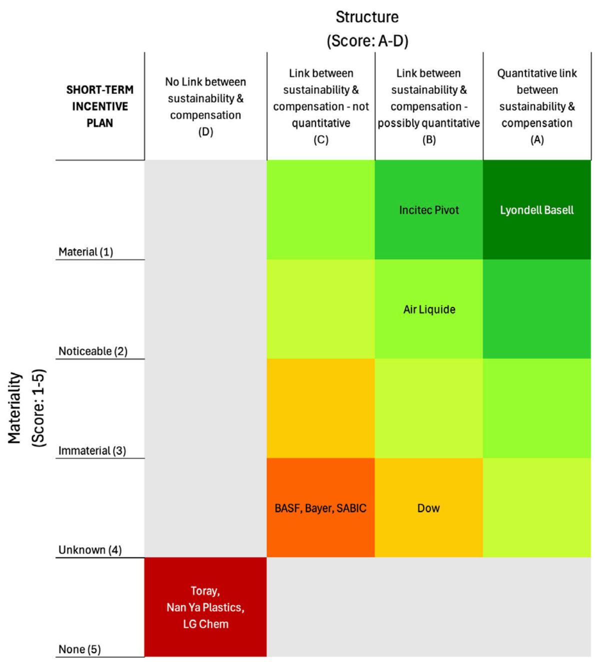


Figure 4: Chemicals short-term executive compensation ratings. Source: Planet Tracker.

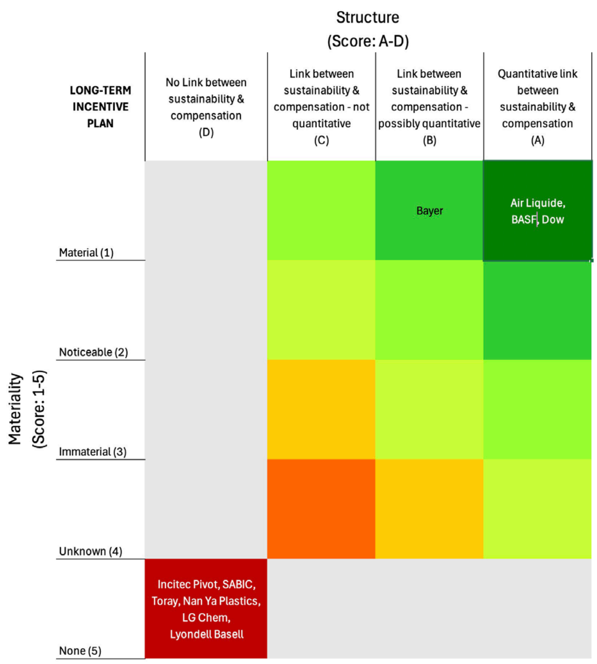


Figure 5 Chemicals long-term executive compensation ratings. Source: Planet Tracker.

Consumer Goods

Looking at the short-term incentive schemes design, six out of the eleven analysed companies do not include any sort of sustainability linked target. Of those that do include a sustainability element, Danone is rated most highly. Danone includes a 5% weighting to like-for-like reduction in greenhouse gas emissions and a 5% weighting to the volume of key commodities verified as deforestation and conversion free.

When looking at long-term compensation schemes there is an obvious dichotomy (Figure 7). Seven out of eleven of the analysed corporates include no reference to sustainability in their schemes. In contrast, Fast Moving Consumer Goods (FMCG) names Danone, Nestlé, Unilever and Coca-Cola are rated at A1 for their schemes.

We note that the lack of a sustainability link is particularly surprising for Woolworths Group and Colgate-Palmolive. Both Woolworths and Colgate-Palmolive are two of the few of our analysed companies with science-based emissions targets for the near-term, long-term and net-zero targets. It can be asked whether the companies are really committed to achieving these targets if management is not incentivised on their delivery over the long-term. They stand in contrast to Nestlé and Danone which have science-based targets for the near-term, long-term and net-zero, and do include sustainability in compensation target setting on both a short-term and long-term basis.

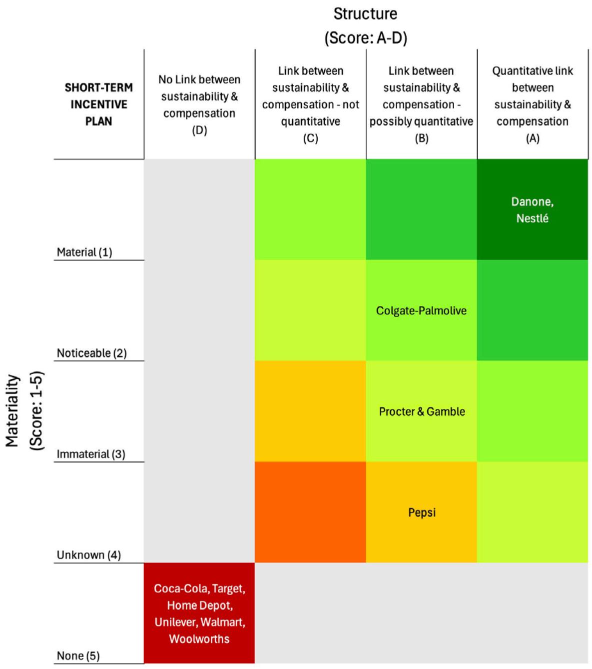


Figure 6: Consumer Goods short-term incentive scheme ratings. Source: Planet Tracker.

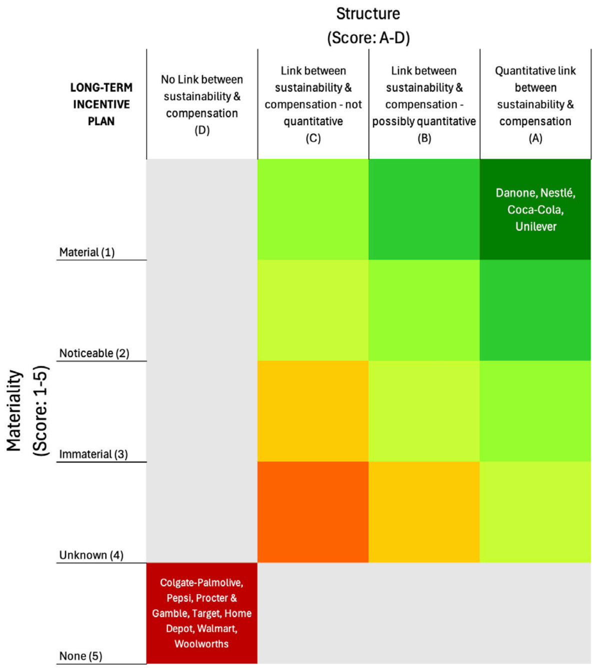


Figure 7: Consumer Goods long-term executive compensation ratings. Source: Planet Tracker.

Transport

The Transport group in our analysis features a range of business types, encompassing auto manufacturers, airlines and shipping. The group also displays a spread of different compensation practices. The company by company analysis can be found in the appendix to this report.

Looking only at short-term incentives (Figure 8), we see General Motors and Ford rated as A1 for their incentive scheme. For Ford and GM, we base this high rating on a significant portion (20% and 25% respectively) of the annual bonus payout being derived from targets for Electric Vehicle (EV) retail volumes. Although this is not an explicit ESG linked target, we see growing EV volumes as a key step in a sustainability transformation for auto manufacturers. This also underlines the importance of assessing the exact targets included in a compensation scheme, as a high-level assessment might suggest no sustainability-linked targets were included in their annual bonus scheme structure.

BMW and Air France-KLM lead the way in our assessment of long-term executive compensation (Figure 9). Some 50% of the long-term incentive plan at BMW is aligned with sustainability goals; 25% is dependent upon reducing fleet carbon emissions in the EU, 25% to sales of all-electric vehicles. Air France-KLM includes a 20% weight to CSR targets including reducing GHG intensity.

A number of companies were assessed as laggards, with no sustainability link in their long-term incentive scheme.

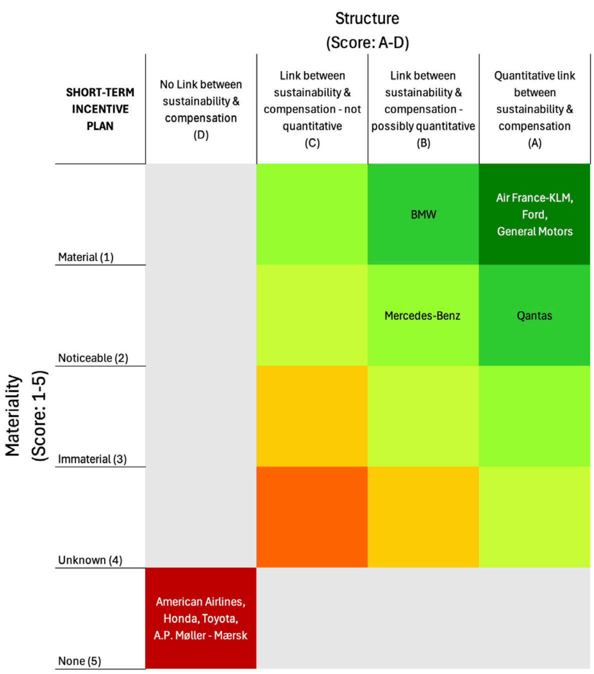


Figure 8: Transport short-term incentive scheme ratings. Source: Planet Tracker.

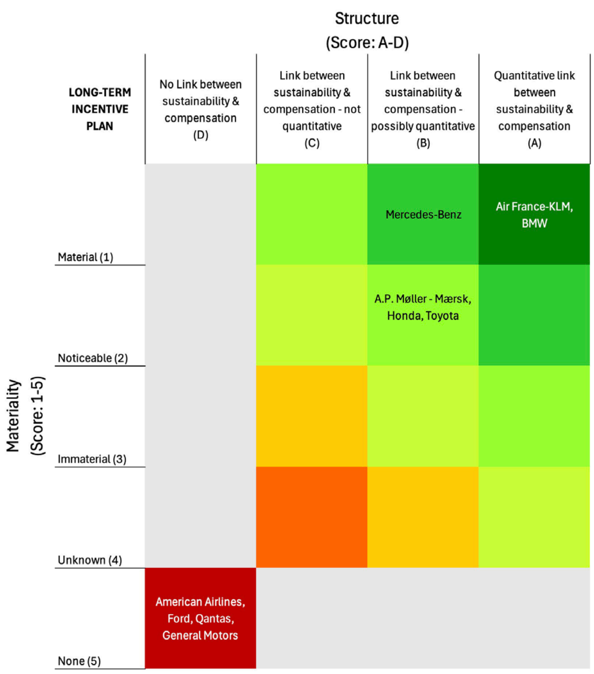


Figure 9: Transport long-term incentive scheme ratings. Source: Planet Tracker.

The devil is in the detail

Our rating scheme is necessarily somewhat of a blunt tool and can struggle to capture subtle nuances which can render what ostensibly looks like a strong sustainability link to compensation into what can be argued as a case of greenwashing. Often these subtleties can only be determined by a close reading of the notes on the exact working of the compensation scheme.

Dow is an example of such a case. Its long-term incentive scheme would seem to be a leader in the sector. It includes a 20% weighting to carbon emission reductions (Figure 10). As such, our rating scheme gives it an A1 rating.

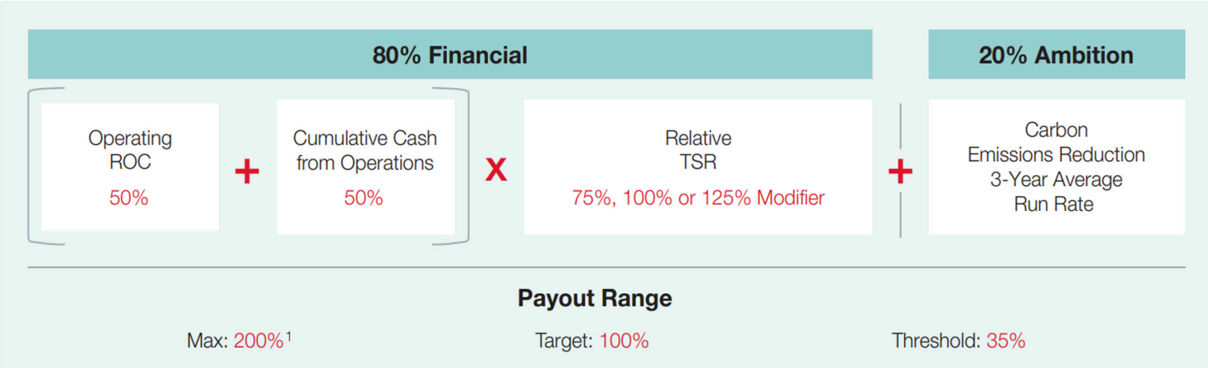


Figure 10: Dow LTI scheme structure. Source: Dow 2024 Proxy Statement.

However, there is a note to this structure figure which makes it clear that the GHG emission element can be rendered irrelevant by high achievement on the financial metric targets (Figure 11).

1 Capped at 200% for the combined total of Operating ROC plus Cumulative Cash from Operations, even when considering modification based on Relative TSR, plus Cumulative Carbon Emissions Reduction metrics.

Figure 11: The sustainability element can be rendered irrelevant by financial performance.
Source: Dow 2024 proxy statement.

While Dow is a particularly egregious example of this issue, it was something that our analysis found in some form for a number of corporates.

We note that the structure of some long-term schemes can inherently weaken the importance of sustainability targets. Where companies use performance share units in their LTI schemes, the final payout value is influenced by the value of the company stock at the payout date. This can mean hitting the payout cap due to a high stock price rather than stellar performance on the target metrics. Given that the stock price is likely to be more responsive to financial performance than sustainability, this issue can compound the chance of sustainability becoming irrelevant. If the executive delivers strong financial metric performance this means a larger award of PSUs, potentially at a high stock price and thus hitting the cap on payout without any impact from a sustainability target. We show a hypothetical worked example in Table 4.

Table 4: Strong stock performance (here +12%) and strong financial metric performance could make delivering sustainability targets irrelevant. Source: Planet Tracker.

	Award Date	Financial Target 1	Financial Target 2	Sustainability Target	End Date
Stock Price ($)	25				28
Target Award ($)	1,000,000		56%	12%	
PSUs awarded	40,000		N/A	N/A	
Target Weight		45%	45%	10%	
Target Achievement		200%	200%	0%	180%
Final Award of PSUs (Target Award* Target Achievement)"					72,000
Payout ($)					2,016,000
Payout Cap ($)					2,000,000

We summarise corporates where we model that sustainability targets could be rendered irrelevant by their scheme design in Table 5. We include an estimate of the stock price appreciation we model to be required (total appreciation and CAGR). We note that we do not include the impact of dividend accruals which are included in some schemes and thus would reduce the required stock price appreciation to meet the maximum payout ceiling.

Table 5: Schemes featuring designs which could render sustainability targets irrelevant. Source: Planet Tracker.

Sector	Company	Notes	Total share price rise	CAGR
Chemicals	BASF	LTIP could see sustainability rendered irrelevant by strong financial performance and stock price appreciation	unclear	unclear
	Bayer	LTIP could see sustainability rendered irrelevant by strong financial performance and stock price appreciation	56%	12%
	Dow Inc.	The sustainability element is excluded by strong financial target performance	N/A	N/A
Transport	Mercedes-Benz Group	LTIP could see sustainability rendered irrelevant by strong financial performance and stock price appreciation	57%	16%

We note that for some corporates the detail provided on their scheme does not allow us to attempt to model the potential payout and thus they are not included in Table 5. They could potentially also risk rendering any sustainability element irrelevant.

What does "good" look like?

Having critiqued the schemes of our selected companies, the obvious follow-on question is 'what does good look like?' We note that the exact sustainability targets used by a corporate will depend on its sector and its own operations. We therefore make no specific recommendations on the nature of targets, and it remains critical for investors to analyse the exact structure of a scheme and the nature of specific targets on a case by case basis. The key question for investors is whether the structure of the schemes and the targets used address the risk to the corporate from environmental breakdown and their role in it.

We use Danone as an example of good practice on scheme design, given we rated them at A1 on both their short-term and long-term scheme.

75% of Danone's CEO pay is performance based, with 25% coming from the STI scheme and 50% from the LTI scheme. The short-term scheme is weighted 60% to financial criteria, 20% to sustainability and 20% to managerial criteria. Financial targets are equally weighted (15% to each) across like-for-like sales growth, recurring operating margin level, free cash flow generation and like-for-like change in volume/mix.

The sustainability targets are weighted 5% to like-for-like reduction in greenhouse gas emission, 5% to the percentage of Danone employees covered by B-corp certification, 5% to Fair Wage Network certification of Danone and 5% to volume of key commodities verified deforestation and conversion free.

	Performance indicators	Proportion of the target amount	Variation based on the weighting
Financial criteria (quantitative)	Like-for-like sales growth	15%	0 to 30%
	Change in volume/mix on a like-for-like basis	15%	0 to 30%
	Recurring operating margin level	15%	0 to 30%
	Free cash flow generation	15%	0 to 30%
	TOTAL	**60%**	**0 to 120%**
Sustainability criteria (quantitative)	Like-for-like reduction in greenhouse gas emissions across the entire value chain (scopes 1, 2 and 3) in 2025 vs 2024	5%	0 to 10%
	Forest – Volume of key commodities verified Deforestation & Conversion Free (vDCF)	5%	0 to 10%
	B-Corp™ certification of Danone SA and percentage of employees covered by the certification	5%	0 to 10%
	Fair Wage Network Certification of Danone (decent wage)	5%	0 to 10%
	TOTAL	**20%**	**0 to 40%**
Managerial criteria (qualitative)	Managerial objective	20%	0 to 40%
	TOTAL	**20%**	**0 to 40%**
TOTAL		**100%**	**0 to 200%**

Figure 12: Danone 2025 short-term incentive scheme structure. Source: Danone universal registration document 2024.

The long-term incentive scheme has a three year vesting period. It uses a mix of financial and sustainability related targets. The financial targets are 20% weighting to growth in recurring EPS, 25% weighting to relative growth in TSR and 25% weighting to Danone's ROIC.

The 30% weighting to sustainability is split equally across quantitative targets for a reduction in product sugar level (10% weight), reduction in greenhouse gas emissions (10% weight) and reduction in water consumption intensity (10% weight).

Given our concerns that some long-term incentive scheme designs can potentially render sustainability elements irrelevant (see The devil is in the detail section above), we are pleased to see that Danone's scheme seems to avoid this pitfall. The scheme awards a set number of GPS at the start of the period and then modifies this number based on performance over the three year vesting period. Rather than a cap on the total payout value, it instead caps the total number of GPS (Group Performance Shares) that can be awarded at 120% of the initially granted GPS amount, and this is only in the event of outperformance of the financial conditions and the maximum achievement of the sustainability conditions. In our understanding, this means that sustainability is always a meaningful contributor to final payout.

Conclusions

This report highlights that although sustainability is often mentioned as a significant risk to corporates in the chemicals, transport and consumer goods sectors, addressing this risk is often not incorporated into how executives are incentivised.

We found that overall, 42% of our analysed companies had no link between short-term compensation and sustainability. Chemicals had 3 out of 10 (30%) companies, Transport 4 out of 10 (40%) with no link, whilst Consumer Goods had a more disappointing 6 out of 11 (55%).

55% of our analysed companies had no link between long-term compensation and sustainability. Transport had 4 out of 10 companies without a link (40%) and Chemicals 6 out of 10 (60%). Again, Consumer Goods lagged, with 7 out of 11 (64%) companies showing no link between sustainability and long-term compensation.

These levels of corporates without a link between pay and sustainability performance are similar to those found in our previous work on the Plastics Industry, the Textiles Industry and the Advertising Industry. Of 39 plastic-related companies analysed 16 (41%) had no link between sustainability deliverables and pay. Of the 30 textile companies analysed, 17 (57%) were found to have no sustainability compensation link. Of 5 major advertising agencies only one (20%) showed no link between pay and sustainability performance.

Investors, whether debt or equity, should not assume that corporate sustainability reports, environmental policies or positive environmental statements from management are reflected in executive compensation packages.

When sustainability targets are included in executive compensation setting, investors should not assume it is material until a more detailed analysis has been undertaken. They can rightly ask whether the targets are merely greenwashing if they can easily be rendered irrelevant.

Shareholders typically have, at a minimum, an annual opportunity to vote on executive remuneration. No special effort is required to formulate and win support for such a shareholder proposal to be tabled as it is a requirement in many countries that there is a pay-on-say. All that is needed is to ensure management compensation aligns with minimising risks and maximising returns. Assuming investors share the seemingly common corporate view of the risk from environmental breakdown, a drive towards sustainable practices would appear prudent and a fiduciary duty.

Planet Tracker encourages debt and equity investors to ensure that companies have management teams incentivised to deliver on sustainable targets and that these targets are material and quantifiable.

Appendix – company by company analysis

Chemicals

Air Liquide – STI B2 / LTIP A1

*Table 6: **Air Liquide** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✓	✗	B2
			LTIP	✓	✓	✓	A1

Air Liquide's remuneration policy targets a compensation split for the CEO of 25% fixed compensation, 35% annual variable compensation and 40% long-term incentive scheme.

The annual variable compensation is based on a mix of quantitative financial targets (70%) and qualitative personal criteria (30%). The financial criteria focus on increase in recurring EPS (50%) and comparable consolidated revenue growth (20%). Qualitative targets are split equally across three strands: Corporate Social Responsibility (including work on the group sustainability initiatives and safety and reliability, HR targets and individual performance assessment).

It is unclear exactly how much of the qualitative targets are dependent on progress on the sustainability strategy. At most it would be all of the 10% weighting for CSR, but it is highly likely to be less than this. Given the lack of clarity on the exact weighting, the qualitative nature of the sustainability element and the likely less than 10% weighting, we rank the inclusion of sustainability in short-term compensation as B2 on our scale.

The long-term scheme features a 50% weighting to a return on capital employed (ROCE) target, 40% to total shareholder return (TSR) (split equally between absolute TSR and TSR relative to the CAC 40 index) and 15% based on the change in the Group's absolute CO_2 emissions in line with the group climate objectives.

Given the clear quantitative target representing 15% of overall long-term incentive, we rank the inclusion of sustainability in long-term compensation as A1 on our scale.

BASF – STI C4 / LTIP B1

*Table 7: **BASF** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✕	STI	✕	✕	✕	C4
			LTIP	✓	✓	✓	B1

BASF refined their executive compensation scheme as of 1st January 2024.

BASF's short-term compensation scheme has a maximum payout of 200% of the target amount, representing a €4m cap for the Chair of the Board of Executive Directors.

The scheme is based on three financial targets and one non-financial target. The financial targets are: group level ROCE, group level EBITDA before special items and group level cash flows from operating activities. The non-financial targets include employee engagement and satisfaction targets, occupational and process safety targets and targets for strategic projects. Although more detail is not provided, the mentioned strategic projects may include sustainability given the prior compensation scheme also mentioned "strategic targets" and did indicate sustainability was one part of these.

Given the lack of clarity of whether sustainability is included in the non-financial targets and to what degree of materiality if it is, we rate BASF's short-term compensation scheme as C4 on our scale.

BASF's long-term compensation scheme has a four year horizon and a maximum payout of 200% of the target amount, representing a EUR 6.4m cap for the Chair of the Board of Executives. For the 2024 plan, there are three targets used for the scheme. Two are financial targets, based on ROCE and EBITDA growth. These are joined by a sustainability-based target focused on being on track for a -25% reduction in Scope 1 and 2 emissions relative to a 2018 baseline.

Given that sustainability is a clear material part of the long-term compensation scheme, we rate BASF's long-term scheme as A1 on our scale, but with heavy caveats. Although compensation does include sustainability, it is possible for maximum payout to be delivered without delivering on the sustainability target. For each of the three targets in the scheme, the achievement rate is measured on an annual basis. At the end of the four-year performance period, the arithmetic mean of the four annual target achievement rates is calculated. The three calculated averages are then combined to calculate the overall performance factor. This factor is used to calculate the number of share units awarded, which is then multiplied by the share price at the time of the end of the scheme period (plus dividends over the four year period) to determine the total payout. This number is capped by the overall 200% payout cap. This means that a strong share price performance, along with delivering on the financial targets, could make performance on the sustainability target irrelevant.

Bayer – STI C4 / LTIP A1

*Table 8: **Bayer** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	C4
			LTIP	✓	✓	✗	B1

Bayer reacted to shareholder pressure and redesigned their executive compensation scheme as of 1st January 2024.

Bayer's short-term incentive scheme has a limit of 200% of the contractually agreed target amount. Bayer's long-term incentive scheme has a four year time horizon and a maximum payout of 250% of the target amount. Total pay from all sources in any fiscal year is limited to EUR 12m for the CEO. If pay would be more than this, the payout from the long-term incentive scheme is reduced.

The short-term incentive scheme uses three equally weighted financial targets, which are then modified by a performance factor based on strategy development and execution. The financial targets are constant currency sales growth at group level (ex-portfolio changes), core EPS at group level and free cash flow at group level. The strategy development and execution modifier will be set yearly by the supervisory board based on the company's strategy. It is unclear exactly how or to what level of materiality sustainability is incorporated into the performance factor. We also note that this factor is only a modifier of the three financial targets, ranging from 0.8 to 1.2. This could make over-achieving on the performance factor meaningless given the payout cap of 200%. Given the lack of clarity, we rate Bayer's STI at C4 on our scale.

The long-term incentive scheme uses a measure of relative capital market performance (TSR vs the EuroStoxx 50) (weighted at 80%) and sustainability performance (weighted at 20%). These are multiplied by the absolute share price development plus total dividends paid to calculate the final payout. The sustainability targets include "delivering on our mission of "Health for all, Hunger for none," reducing our ecological footprint along the value chain and becoming carbon-neutral in our own operations by 2030."

Although the proportion of compensation linked to compensation is material (20%), we note that the targets used are somewhat opaque. The company describes having "measurable target agreements" and "clear commitments". We would like to see more detail on these. Given the lack of clarity we score Bayer's long-term incentive plan B1 on our scale. We note that very strong share price performance could render the sustainability element irrelevant, as strong TSR would likely lead to high achievement on the 80%-weighted financial target. This, when multiplied by a high final stock price, could potentially result in the maximum 250% payout cap being reached. With the total compensation payout cap of EUR 12m meaning potentially seeing the LTI payout reduced in cases of very high performance, we question if the commitment to linking sustainability and pay is as strong as would be hoped.

Dow Inc – STI B4 / LTIP A1

*Table 9: **DOW** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✗	STI	✗	✗	✗	B4
			LTIP	✓	✓	✓	A1

Dow's executive compensation scheme makes 80% of the CEO's annual total compensation at risk. It features an annual cash incentive and a long-term incentive scheme featuring a mix of performance share units (65%), stock options (20%) and restricted share units (15%).

The annual cash incentive is limited to 200% of the target amount (set at 175% of base salary for the CEO, equivalent to USD 3.0m in 2023) meaning a potential maximum payout of around USD 6m. Performance is measured on three factors: Operating EBIT (40% weighting), Free Cash Flow (40% weighting) and Ambition metrics (20% weighting). The Ambition metrics include customer experience, sustainability and inclusion and diversity. The sustainability target is based on the World Leading Operations index which measures safety, total worker health, environmental stewardship and transportation stewardship. These three targets are added together and then modified by an individual performance factor which includes safety performance and can range from 0% to 125%.

Given that the importance of sustainability in overall compensation is likely small and the target used somewhat unclear, we rate Dow's short-term incentive scheme at B4 on our scale.

The long-term incentive scheme is a mix of performance share units (65%), stock options (20%) and restricted share units (15%). The total award is capped at 200% of the target amount, which was USD 13.8m in 2023, suggesting a total potential pay award of USD 27.6m.

The PSUs awarded is based on performance. The stock options incentivise management to deliver share price appreciation. The RSUs vest after three years an incentivise management retention. The structure of the LTI scheme means only the 65% awarded as PSUs could be directly linked to sustainability performance.

The PSU component award is mainly based on two financial metrics Operating Return on Capital (50%) and Cumulative cash from Operations (50%). These are modified by Relative TSR (75%, 100% or 125% modifier). A 20% weighting to Carbon Emission Reduction is then added (based on the target to reduce net Scope 1 & 2 emissions by 5mmt versus a 2020 baseline). Given the inclusion of a clear sustainability target in the scheme and at a material level (20% of the 65% of long-term comp in PSUs suggests 13% at risk), we rate Dow's long-term incentive scheme at A1 on our scale, but we note the heavy caveat below.

It is positive to see a clear carbon emission target in the compensation scheme. However, we note that total payout is capped at 200% of the target amount and this can be achieved by 200% performance on Operating Return on Capital and Cumulative Cash Flows, at which point performance on Relative TSR and Carbon Emission Reduction is irrelevant. As such, it is fair to question Dow's true commitment to sustainability.

Incitec Pivot – STI B1 / LTIP D5

Table 10: **Incitec** Summary. Source: Planet Tracker.							
Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✗	STI	✓	✓	✗	B1
			LTIP	✗	✗	✗	D5

Incitec Pivot's short term incentive scheme features a range of financial and non-financial targets. Financial targets are Group Headline NPAT (40% weighting) and Group Adjusted NPAT (20% weighting). Non-financial targets are a "Balanced Scorecard" which focuses on safety (10% weighting); Strategic objectives related to the ongoing transformation of the business (20% weighting) and "Delivery of various climate change related projects" (10% weighting). Given the inclusion of sustainability linked targets at a material level, we rate Incitec Pivot's short-term incentive scheme B1 on our scale. We note that exactly how the targets are assessed is somewhat opaque and means they miss the top rating.

Incitec Pivot's long-term incentive scheme for FY25 onwards has removed a weighting to sustainability linked performance and instead is measured on relative and absolute TSR (50% weighting to each). Given the lack of inclusion of sustainability linked targets we rate Incitec Pivot's long-term incentive scheme D5 on our scale.

Lyondell Basell – STI A1 / LTIP D5

Table 11: **Lyondell Basell** Summary. Source: Planet Tracker.							
Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✗	STI	✓	✓	✓	A1
			LTIP	✗	✗	✗	D5

For Lyondell Basell, 90% of CEO pay is performance linked. Target amount for the CEO's was 160% of base salary for the short-term scheme, with a 200% total payout cap meaning potentially USD 4.6m at risk. Targets for the short-term scheme were EBITDA (60% weight), "Value Creation" featuring targets related to the company "Value Enhancement" program (10% weight) and 30% to ESG related targets. The ESG targets split 20% based on safety performance and 10% related to sustainability. Within sustainability, targets focus on executing renewable energy purchase agreements, producing recycled and renewable-based polymers, and improving energy efficiency. Given the inclusion of sustainability linked targets at a material (10%) level, we rate Lyondell Basell's short-term incentive scheme A1 on our scale.

Lyondell Basell's long-term incentive scheme features the use of Performance based share units, Stock Options and Restricted share units. A target of around 760% of base salary for the CEO, representing awards of USD 11m. The stock options incentivise management to deliver share price appreciation. The RSUs vest after three years an incentivise management retention. Thus, the structure of the LTI scheme means only the 50% awarded as PSUs are directly linked to performance.

The PSUs payout based on the company's TSR over the three year horizon period and free cash flow per share relative to long-term plan projections. Given this mix, there is no link to sustainability in the long-term incentive scheme and we score it at D5 on our scale.

LG Chem – STI D5 / LTIP D5

*Table 12: **LG Chem** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✗	STI	✗	✗	✗	D5
			LTIP	✗	✗	✗	D5

We could not find detail of LG Chem's short-term incentive scheme and thus rate it D5 on our scale.

We could not find detail of LG Chem's long-term incentive scheme and thus rate it D5 on our scale.

Nan Ya Plastics – STI D5 / LTIP D5

*Table 13: **Nan Ya Plastics** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✗	✗	✗	D5

We could not find detail of Nan Ya Plastics' short-term incentive scheme and thus rate it D5 on our scale.

We could not find detail of Nan Ya Plastics' long-term incentive scheme and thus rate it D5 on our scale.

Saudi Basic Industries Corporation (SABIC) – STI C4 / LTIP D5

*Table 14: **Saudi Basic Industries Corporation** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✗	STI	✓	✗	✗	C4
			LTIP	✗	✗	✗	D5

SABIC's short-term incentive scheme was updated in 2024 so that it includes sustainability metrics as a key component. The system introduces a unified balanced scorecard comprising both financial and non-financial performance measures. The 2024 scorecard includes two ESG-related objectives: 1) a reduction in GHG emissions and 2) an internal measurement related to the safety, health, and environmental performance of SABIC globally. Disappointingly, the exact percentage that sustainability targets account for in the overall performance evaluation is not disclosed and neither are the exact metrics used to evaluate performance against these targets. Given this lack of transparency, we rate SABIC's short-term incentive scheme as C4 on our scale.

We could not find detail of SABIC's long-term incentive scheme and thus rate it D5 on our scale.

Toray – STI D5 / LTIP D5

*Table 15: **Toray** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✗	STI	✗	✗	✗	D5
			LTIP	✗	✗	✗	D5

We could not find detail of Toray's short-term incentive scheme and thus rate it D5 on our scale.

We could not find detail of Toray's long-term incentive scheme and thus rate it D5 on our scale.

Consumer Goods

Coca-Cola – STI D5 / LTIP A1

*Table 16: **Coca-Cola** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✓	✓	✓	A1

Coca-Cola's short term incentive scheme has a target amount of 200% of the CEO's base pay and a total payout cap of 200%.

Figure 13: Coca-Cola short-term incentive scheme structure. Source: Coca-Cola 2024 Proxy Statement.

The business performance factor element of the scheme features three target areas. Two focused on financial performance (90% weight) and one focused on Diversity, Equity and Inclusion (10% weight). The financial targets are equally weighted and consist of net operating revenue growth and operating income growth.

Given the lack of any sustainability linked targets in the short-term incentive scheme, we rate Coca-Cola at D5 on our scale.

Coca-Cola's long-term incentive scheme uses three financial targets, weighted at 30% each and 10% weight to achievement of "certain environmental sustainability measures". Once these targets are assessed, the result is modified by a relative TSR modifier and can be increased or decreased up to 25%. Including the TSR modifier, the maximum payout is 250% of target.

The financial targets are net operating revenues, EPS and free cash flow. The 2024 sustainability measures were equally weighted based upon the achievement of predefined goals related to the company's global rPET usage rate and its watershed leadership locations replenishment rate. The company describes these targets in more detail as:

"Watershed leadership locations replenishment rate" is the ratio of replenish project volumetric benefits (located within "leadership locations" minors basins and/or their water supply watersheds) divided by the replenishment required in the "leadership locations" (its total water use less its beneficial wastewater discharge). "Leadership locations" is a Company designation for locations of Company manufacturing facilities that satisfy the criteria of a water risk assessment. "Global rPET usage rate"

is defined as the percent of rPET (recycled polyethylene terephthalate) procured for use in our global primary consumer PET packaging (non-refillable PET bottles and refillable PET bottles)." – Coca-Cola 2024 Proxy Statement

Given the inclusion of sustainability targets in the long-term incentive scheme at a material amount (10%), we rate Coca-Cola's long-term incentive scheme at A1 on our scale.

Colgate-Palmolive – STI B2 / LTIP D5

*Table 17: **Colgate-Palmolive** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✗	✗	B2
			LTIP	✗	✗	✗	D5

Colgate-Palmolive set CEO pay at 89% performance based.

Pay Component	CEO 2024 Target Compensation Mix	Other Named Officer Average 2024 Target Compensation Mix	Performance Measures (for Annual Incentives and PBRSUs)	Performance Period	Form of Payment
Annual incentive	17%	21%	• Base Business Earnings Per Share • Organic sales growth • Strategic initiatives	One year (2024)	Cash bonus
Long-term incentive*	73%	54%	• Organic sales growth relative to the Comparison Group (defined below) • Base Business Net Income (defined below) growth relative to the Comparison Group • Free Cash Flow Productivity • Total shareholder return relative to the Comparison Group (modifier)	Three years (2024-2026)	PBRSUs (vesting in 2027, if earned)

* Percentages shown include the target value of performance-based restricted stock unit ("PBRSU") awards for the 2024-2026 performance cycle pursuant to our Growth Performance Plan and the target value of stock option and time-based restricted stock unit ("RSU") awards based on salary grade guidelines.

Figure 14: Colgate-Palmolive compensation scheme structure. Source: Colgate-Palmolive 2025 Proxy Statement.

The short-term incentive scheme has a maximum payout opportunity of 350% of base salary (175% target award at 200% payout). The award is based 80% on two equally weighted financial measures of base business earnings per share and organic sales growth. 20% of the award is based on strategic initiatives. These cover a range of targets as set out in Figure 15 below:

Goal	Measure	Assessment
Innovation	Our revenue from new products	Exceeded our goal by $400 million
	Our incremental net sales coming from innovation (including disruptive and transformational innovation)	Incremental net sales from innovation exceeded our goal by 3%; the portion of those incremental net sales from disruptive and transformational innovation was within our target range
Superior Consumer Experience	Our performance on on-shelf quality audits	At 97.4%, met our goal of at or above 96%
Culture of Inclusion	Our progress in building a culture of inclusion and belonging	Exceeded our goals, maintaining last year's high result and achieving top quartile of the market benchmark
Sustainability	Our progress towards making all our packaging recyclable, reusable or compostable	At 93%, was within our 2024 target range

Figure 15: Strategic Targets used in compensation setting. Source: Colgate-Palmolive 2025 Proxy Statement.

It is unclear what proportion of the 20% is determined by sustainability targets and whether these targets are quantitative or qualitative. Given these issues, we rate Colgate-Palmolive's short-term incentive scheme at B2 on our scale.

Colgate-Palmolive's long-term incentive scheme focuses only on financial metrics. 50% weight is given to relative organic sales growth; 30% to base business net income growth; and 20% to Free Cash Flow productivity. The sum of these targets is then modified by total shareholder return relative to peers.

Given that the long-term incentive scheme features no sustainability targets, we rate it at D5 on our scale.

Danone – STI A1 / LTIP A1

*Table 18: **Colgate-Palmolive** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✓	✓	A1
			LTIP	✓	✓	✓	A1

75% of Danone's CEO pay is performance based. The target amount for the short-term scheme is EUR 1.4m, with a cap of EUR 2.8m. The long-term scheme has a target of EUR 2.8m and no floor.

The short-term scheme is weighted 60% to financial criteria, 20% to sustainability and 20% to managerial criteria. Financial targets are equally weighted (15% to each) across like-for-like sales growth, recurring operating margin level, free cash flow generation and change in volume/mix.

The sustainability targets are weighted 5% to like-for-like reduction in greenhouse gas emissions, 5% to Fair Wage Network Certification of Danone, 5% to the percentage of Danone employees covered by B-corp certification, and 5% to volume of key commodities verified deforestation and conversion free.

Given the inclusion of material quantitative targets linked to sustainability, we rate Danone's short-term incentive scheme A1 on our scale.

	Performance indicators	Proportion of the target amount	Variation based on the weighting
Financial criteria (quantitative)	Like-for-like sales growth	15%	0 to 30%
	Change in volume/mix on a like-for-like basis	15%	0 to 30%
	Recurring operating margin level	15%	0 to 30%
	Free cash flow generation	15%	0 to 30%
	TOTAL	**60%**	**0 to 120%**
Sustainability criteria (quantitative)	Like-for-like reduction in greenhouse gas emissions across the entire value chain (scopes 1, 2 and 3) in 2025 vs 2024	5%	0 to 10%
	Forest – Volume of key commodities verified Deforestation & Conversion Free (vDCF)	5%	0 to 10%
	B-Corp^{TM} certification of Danone SA and percentage of employees covered by the certification	5%	0 to 10%
	Fair Wage Network Certification of Danone (decent wage)	5%	0 to 10%
	TOTAL	**20%**	**0 to 40%**
Managerial criteria (qualitative)	Managerial objective	20%	0 to 40%
	TOTAL	**20%**	**0 to 40%**
TOTAL		**100%**	**0 to 200%**

Figure 16: Danone 2025 short-term incentive scheme structure. Source: Danone universal registration document 2024.

The long-term incentive scheme has a three year vesting period. It uses a mix of financial and sustainability related targets. The financial targets are 20% weighting to growth in recurring EPS, 25% weighting to relative growth in TSR, and 25% weighting to Danone's ROIC.

The 30% weighting to sustainability is split equally across reduction in product sugar level (10% weight), reduction in greenhouse gas emissions (10% weight), and reduction in water consumption intensity (10% weight).

Given the inclusion of material and quantitative sustainability targets in compensation we rate Danone's long-term incentive scheme A1 on our scale.

Nestlé – STI A1 / LTIP A1

*Table 19: **Nestlé** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✓	✓	A1
			LTIP	✓	✓	✓	A1

Nestlé has a payout target for the short-term incentive scheme and long-term incentive scheme of 150% of annual base salary.

For the CEO in 2023, 85% of the annual bonus was linked to financial metrics and 15% to ESG objectives. The financial metrics were organic growth (51% overall weight) and underlying trading operating profit (34% overall weight). These can be modified by additional quantitative and qualitative objectives set by the board in line with strategy.

ESG targets in 2023 focused on affordable nutrition with micronutrients, reduction of greenhouse gas emissions, plastic packaging designed for recycling, reduction of water use in factories and management positions held by women. These five objectives are equally weighted at 3% each.

Given a material amount of compensation tied to sustainability, we rate Nestlé's short-term compensation scheme at A1 on our scale.

The long-term incentive scheme has a three-year vesting period. It is based on four targets, three financial and one sustainability linked. The financial targets are growth in underlying EPS (40% weight), relative TSR versus the STOXX Global 1800 Food & Beverage Gross Return Index (20% weight) and Nestlé ROIC (20% weight). The sustainability target is linked to reduction in greenhouse gas emissions (20% weight). Given a material amount of compensation tied to sustainability, we rate Nestlé's long-term compensation scheme at A1 on our scale.

Pepsi – STI B4 / LTIP D5

*Table 20: **Pepsi** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✗	✗	B4
			LTIP	✗	✗	✗	D5

Pepsi aims for 92% of CEO target pay mix to be performance based.

Pepsi's short-term compensation scheme focuses on three financial metrics and relative competitive performance. These are then modified by an individual performance multiplier. The financial metrics used are organic revenue growth, Free Cash Flow and core constant currency net income growth.

Figure 17: Pepsi 2023 short-term incentive scheme structure. Source: Pepsi 2024 Proxy Statement.

The individual performance multiplier is based on the contribution to Pepsi's "strategic business imperatives". This can include enhancing environmental sustainability. These could be quantitative or qualitative targets.

Given the uncertain level of inclusion of sustainability targets in Pepsi's short-term incentive scheme, we rank it B4 on our scale.

The long-term incentive scheme focuses on three financial targets. 66% of any grant is made performance share units and based on a 50:50 weighted split between core constant currency EPS growth and organic revenue growth. 34% of any grant is made in cash and based on relative TSR. For both elements the cap is a 200% payout relative to target. Given the lack of sustainability targets in the long-term incentive scheme we rate it D5 on our scale.

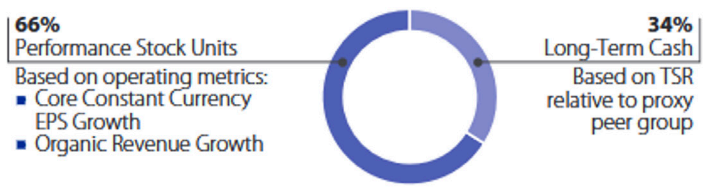


Figure 18: Pepsi 2023 LTIP structure. Source: Pepsi 2024 Proxy Statement.

Proctor & Gamble – STI B3 / LTIP D5

*Table 21: **Proctor & Gamble** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✗	✗	B3
			LTIP	✗	✗	✗	D5

P&G targets 93% of CEO pay being performance based.

The short term "STAR" program uses a mix of metrics. 30% of the weight is determined by total company performance factor, which in 2023-24 was based 50:50 on core EPS growth and organic sales growth. This is modified by an "ESG Scorecard" which includes progress on scope 1, 2, and 3 greenhouse gas emission reduction, consumer packaging circularity, water restoration goals in priority areas, responsible sourcing of palm oil and certified fibre, and representation of women and U.S. ethnic minorities at management and executive levels. For the CEO this modified Total Company Performance Factor is added to a weighted average of all business unit performance factors to determine final payout.

Given the inclusion of sustainability in the scheme, but at an unclear level of materiality and with unclear targets, we rate the scheme B3 on our scale.

Figure 19: P&G's 2023 short-term incentive scheme structure. Source: P&G 2024 Proxy Statement.

P&G's long-term incentive scheme feature a performance stock program (PSP) and a long-term incentive program (LTIP). Each was aimed to be 36.9% of target CEO pay.

The LTIP features a mix of stock options and restricted stock units with a three-year minimum holding period and ten-year expiry.

The PSP focuses on four financial metrics which are then modified by relative TSR. The metrics are relative organic sales growth, Core EPS growth, constant currency core operating profit before tax growth and adjusted free cash flow productivity.

	Goal	What It Measures	Purpose of Measure
Each Weighted 20%	Relative Organic Sales Growth	3-year compounded organic sales growth relative to the competitive peer group	Rewards strong organic sales growth relative to peers
	Core EPS Growth	3-year compounded core earnings per share growth	Rewards meeting / exceeding Core EPS Growth target
Each Weighted 20%	Constant Currency Core Before–Tax Operating Profit Growth	3-year core before-tax profit excluding the impact of foreign exchange	Rewards meeting / exceeding operating profit growth target
	Adjusted Free Cash Flow Productivity	3-year average free cash flow productivity	Rewards effective conversion of earnings into cash to enable strong cash return to shareholders
	Relative TSR Multiplier	3-year Total Shareholder Return relative to competitive industry peer group	Increases payouts for top quartile performance and reduces payouts for bottom quartile performance

Figure 20: P&G 2023 performance share plan targets. Source: P&G 2024 Proxy Statement.

Given the lack of any sustainability linked targets in the long-term scheme, we rate it D5 on our scale.

Target – STI D5 / LTIP D5

*Table 22: **Target** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✗	✗	✗	D5

Target aims for 92% of CEO pay to be performance based.

The Target short-term incentive scheme uses a mix of financial goals (67% weight) and progress on "The Team Scorecard" which includes progress on strategic priorities (33% weight). The financial targets are 50:50 weighted and focused on Sales and Operating Income. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

	Fiscal 2024 (payout as a percentage of goal)			
Component	**Weight**	**Threshold**	**Goal**	**Maximum**
Financial component (Merchandise Sales 50%, Incentive Operating Income 50%)	67%	20%	67%	134%
Team scorecard	33%	10%	33%	66%
Total		**30%**	**100%**	**200%**

Figure 21: Target Group 2024 short-term incentive scheme structure. Source: Target Group 2025 Proxy Statement.

The Target long-term incentive scheme features two elements. The first uses performance share units (PSUs) the second restricted performance based stock units (PBRSUs). The PSU award is made based on three financial metrics of adjusted sales growth, EPS growth and ROIC. The PBRSUs are awarded based on relative TSR performance. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

The Home Depot – STI D5 / LTIP D5

*Table 23: **The Home Depot** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✗	✗	✗	D5

The Home Depot targets 91% of CEO pay to be performance based.

The short-term incentive scheme is based on three financial metrics. These are sales (40% weight), operating profit (40% weight) and inventory turns (10% weight), with the balance (10%) based on "Pro Strategic Goal" which focusses on increase in managed account sales. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

The long-term scheme uses performance shares, performance based restricted stock and stock options. The targets for the performance shares are three year average ROIC (50% weight), and three year average operating profit (50% weight). The performance based restricted stock is based on hitting an operating profit target threshold. Stock options encourage overall share price improvement. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

Fiscal 2024-2026 Performance Share Award:

($ in billions)

Metrics	Threshold	Target	Maximum	Results as of FYE2024*
Three-Year Average ROIC (50%)	30.98 %	36.45 %	41.91 %	**37.68 %**
Three-Year Average Operating Profit (50%)	$18.45	$21.71	$24.96	**$21.42**
Payout as a Percent of Target	50 %	100 %	200 %	n/a

Figure 22: The Home Depot performance share 2023-25 structure

Unilever – STI D5 / LTIP B1

*Table 24: **The Home Depot** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✓	✓	✓	A1

Unilever announced a new remuneration policy from 2024. The maximum annual bonus is 225% of base salary, with a normal target of 150% of base salary. The maximum long-term payout is 400% of base salary.

The annual bonus is based on underlying sales growth (40% weight), underlying operating profit growth (30% growth) and free cash flow (30% weight). Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

The new long-term scheme targets underlying sales growth (25% weight), relative TSR (30% weight), average underlying ROIC (30% weight) and Sustainability Progress Index (15% weight). The sustainability target features four KPIs for 2025, three environmental and one social. These are:

- The percentage change in greenhouse gas emissions versus 2015 baseline (Target 85%).
- The percentage change in the total tonnes of virgin plastics used in packaging versus 2019 baseline (Target 40%).
- The total hectares of land, forests, and oceans (as measured by ocean floor area) that Unilever programmes help protect and/or regenerate (Target: 1.5 million hectares).
- The percentage of procurement spend which is with suppliers who have signed the Living Wage Promise (Target: 60%).

Given a material portion of long-term compensation is linked to sustainability, we rate the scheme A1 on our scale.

Walmart – STI D5 / LTIP D5

*Table 25: **Walmart** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✗	✗	✗	D5

The annual cash bonus is based on 50:50 weighting of two financial metrics, sales and operating income. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

The long-term incentive performance based equity scheme is based on 50:50 weighting of return on investment and sales. Walmart also makes restricted stock awards which help incentivise management to drive share price appreciation. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

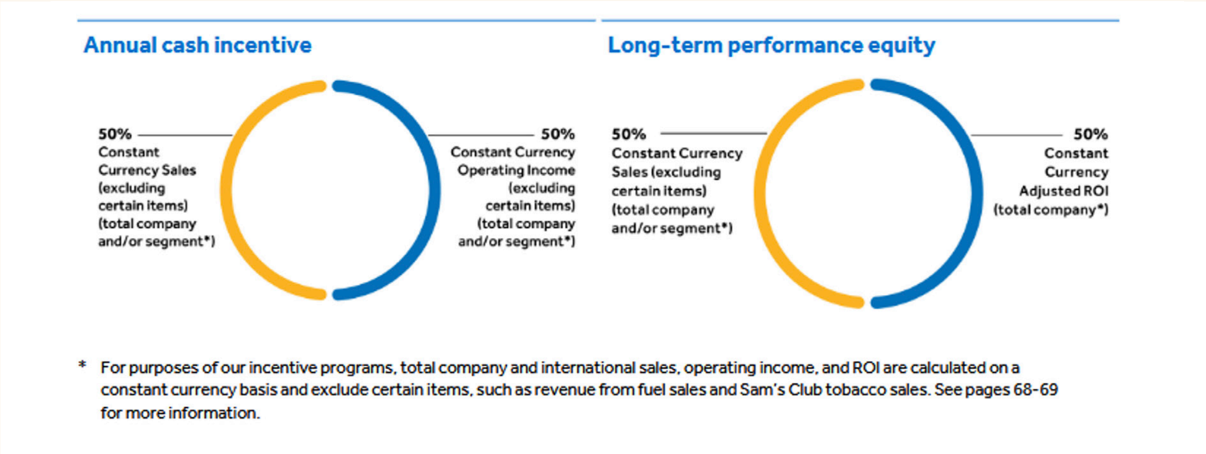


Figure 23: Walmart 2023 compensation scheme structures. Source: Walmart 2024 Proxy Statement.

Woolworths Group – STI D5 / LTIP D5

*Table 26: **Woolworths Group** Summary. Source: Planet Tracker.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✓	✓	✗	D5

The Woolworths Group short-term incentive scheme is 60% weighted to financial objectives and 40% non-financial objectives. Financial metrics used are sales (20% weight), EBIT (20% weight) and working capital days (20% weight). The non-financial metrics are customer satisfaction (20% weight) and safety (20% weight). These metrics are then modified based on assessed individual performance. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

The Woolworth Group long-term incentive scheme focuses on two financial metrics and also the company's reputation. The financial metrics are relative TSR (40% weight) and return on funds employed (40% weight). Company reputation is weighted at 20%. Reputation is measured independently through RepTrak Pulse Score, and measures brand reputation across four key metrics: trust, admiration, positive feeling and esteem. Given the lack of any sustainability targets, we rate the scheme D5 on our scale.

Short-Term Incentive (STI)

50% of the STI is delivered in cash and the remaining 50% is deferred as share rights for two years.

The STI awards executives for annual business performance and individual contribution towards achieving those results. Business performance is measured through a balanced STI scorecard, with 60% weighted on financial objectives and 40% on non-financial objectives:

- Sales – 20%
- Earnings Before Interest and Tax (EBIT), before significant items – 20%
- Working Capital Days – 20%
- Customer Satisfaction – 20%
- Safety – 20%.

Long-Term Incentive (LTI)

Performance rights vesting based on Group performance over three years.

The LTI aligns executives to overall company performance through three measures focused on strategic business drivers and long-term shareholder return:

- Relative Total Shareholder Return (rTSR) – 40%
- Return on Funds Employed (ROFE) – 40%
- Reputation – 20%.

Figure 24: Woolworths Group remuneration framework. Source: Woolworth Group Annual Report 2024.

Transport

Air France – KLM – STI A1 / LTIP A1

Table 27:Air France – KLM   Summary. Source: Planet Tracker.

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✓	✓	A1
			LTIP	✓	✓	✓	A1

Air France – KLM's short-term incentive scheme has a target payout of 150% of fixed compensation and a maximum payout of 180%. The scheme utilises both financial and non-financial targets.

Financial targets in 2024 were: current operating income (40% weight) and adjusted free cash flow "% weight). Non-financial targets are described as quantitative. They are: actions on the decarbonisation plan (20%) weight, which includes the use of sustainable aviation fuel, fleet renewal and other measures; and individual leadership performance (20% weight).

We note that the scheme does include environmental targets and at a material weighting of 20%. We rate the scheme A1 on our scale. Although the exact targets used are not given, the company states they are quantitative. However, without more detail, we rate the scheme B1 on our scale.

	Breakdown of the variable portion	
	Target: 150% of the fixed compensation	Maximum: 180% of the fixed compensation
FINANCIAL PERFORMANCE		
Absolute Current Operating Income (COI) Air France-KLM COI at December 31, 2024 compared to the COI figuring in the 2024 budget	60%	72%
Adjusted Free Cash Flow Adjusted Free Cash Flow of Air France-KLM at December 31, 2024 compared to the Adjusted Free Cash Flow as figuring in the 2024 budget	30%	36%
NON-FINANCIAL QUANTITATIVE PERFORMANCE		
Decarbonization plan Use of SAF, fleet renewal and measures taken at the initiative of the airlines	30%	36%
Individual & Leadership[1]	30%	36%

Figure 25: Air-France KLM 2023 short-term incentive scheme structure. Source: Air France – KLM Annual Report 2023.

Air France – KLM's long-term incentive scheme. The target payout is EUR 2m with a maximum of 100% payout. The scheme uses two financial targets: Net debt/EBITDA and Relative TSR versus airline peers, each weight at 30%.

	Performance	Vesting of a % of the grant with a maximum of 100% over 3 years
1. Net debt/EBITDA (30%) Comparison of the net debt/EBITDA ratio with the budget at the end of the 2024-26 period	**Level 1.** <2	0%
	Level 2. between 1.5 and 2	0 to 130% Proportionate
	Level 3. <1.5	130%
2. Relative TSR position (30%) TSR (Total Shareholder Return) position relative to IAG, Lufthansa and Easy Jet (2024, 2025, 2026)	Position 4	0%
	Position 3	50%
	Position 2	100%
	Position 1	130%
3. CSR performance targets (20%)		See the evaluation rules below
4. Improvement in the brand image of the airlines (20%) Evaluation realized by independent survey	**Level 1.** Significant decline	0%
	Level 2. Decline	50% to 100% Proportionate
	Level 3. Stable	100%
	Level 4. Increase	100% to 130% Proportionate

Figure 26: Air France – KLM 2023 LTIP structure. Source: Air France – KLM Annual Report 2023.

The non-financial targets include improving the brand image and corporate social responsibility targets, each weighted at 20%. The CSR targets includes to reduce intensity of greenhouse gas emissions.

	Indicators	Targets
Environment	1. Reduce the well-to-wake jet fuel scope 1 greenhouse gas (GHG) emissions (in tons of CO_2eq/per passenger per kilometer)	Target of a -10% reduction by 2025 relative to 2019
Environment	2. Reduce noise hindrance	50% reduction in noise hindrance (Chapter 14)
Employee	3. Reinforce diversity	Attainment of a +1 point target for Air France-KLM in 2026 relative to the 2023 level for women in the top 10% of managers at the highest level of responsibility
Compliance	4. Train the employees in compliance	Maintain an equivalent percentage as in 2023

Figure 27 : Detail of the CSR targets.Source: Air France – KLM Annual Report 2023.

The environmental target set appears to be quantitative and material overall. We therefore rate the scheme at A1 on our scale.

American Airlines – STI D5 / LTIP D5

*Table 28: **American Airlines** Summary Table*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✗	✗	✗	D5

American Airlines aims for 91% of CEO pay to be performance based. The short-term scheme has a target of two times base salary, equating to USD 2.6m, while long-term scheme target is a further USD 11.25m.

Their short-term incentive scheme focuses on financial and operational metrics (70% has a target of two times base salary, equating to $2.6m, while long-term scheme target is a weight), operational reliability (25% weight) and team member engagement (5% weight).

Given the lack of any sustainability linked targets, we rate the scheme D5 on our scale.

SAFETY EDUCATION	Overall Plan Gate
91% company completion unlocks the plan	
FINANCIAL	70%
Profitability	Financial Gate
Adjusted pre-tax income (PTI) of $1.5B unlocks the financial portion of the plan	
American Now! Initiatives	
• Relative AA Total Revenue Per Available Seat Mile (TRASM) % of Big 3 peers (Delta/United/Southwest)	14%
• Cost per Available Seat Mile (CASM) Ex. special items, fuel, profit sharing	14%
• Aircraft utilization (mainline)	14%
• Workforce efficiency (mainline)	14%
• Procurement savings	7%
• Working capital	7%
OPERATIONAL	25%
Mainline and Regional Reliability	25%
• Controllable Completion Factor (CCF)	
• On-time Departure (D-0)	
TEAM MEMBER ENGAGEMENT	5%

Figure 28: American Airlines 2024 short-term incentive scheme structure. Source: American Airlines Proxy Statement 2025.

American Airlines long-term incentive scheme uses both restricted stock units and performance linked units. The targets for the scheme are 90:10 split between relative EBITDAR margin gap improvement and net promoter score. pre-tax income margin improvement. Given the lack of any sustainability linked targets, we rate the scheme D5 on our scale.n the lack of any sustainability linked targets, we rate the scheme D5 on our scale.

BMW – STI B1 / LTIP A1

*Table 29: **BMW** Summary Table*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✓	✗	B1
			LTIP	✓	✓	✓	A1

BMW's short-term incentive scheme is capped at 180% of the target amount (equating to EUR 1.89m for the Chair of the board of management). It is a 50:50 blend of an earnings component and a performance component. The earnings component is based on group post tax return on sales and profit attributable to shareholders. The performance component is based on "primarily qualitative, non-financial criteria". These are 50% cross-divisional targets with ESG criteria, 40% other cross-divisional targets and 10% individual targets. The ESG targets include:

"Innovation performance (environmental, e. g. reduction of carbon emissions), development of the BMW Group's reputation based on ESG aspects (e. g. corporate culture, promotion of integrity and compliance), adaptability, attractiveness as an employer, leadership performance"- BMW Group Report 2023

The exact nature and measurement of sustainability linked target is somewhat opaque in the scheme. It does appear that sustainability is likely a material part of pay given ESG is 25% of overall payout and targets for EV sales may come on top of this. Given this, we rate the scheme at B1 on our scale.

BMW's long-term incentive scheme is capped at 180% of the target amount (equating to EUR 4.23m for the Chair of the board of management). It is 50% weighted to Return on capital employed and 50% to achievement of strategic targets. In 2023 the strategic targets set were to reduce fleet carbon emissions in the EU and the sales of all-electrical vehicles. We note that the scheme has a slightly unusual structure. The scheme has a five year period. The targets set are assessed based on the first year of the scheme and a payment amount calculated. This amount must then be used to acquire shares of BMW which must be held for a further four years before becoming freely available.

With 50% of the targets linked to sustainability, we rate the scheme A1 on our scale.

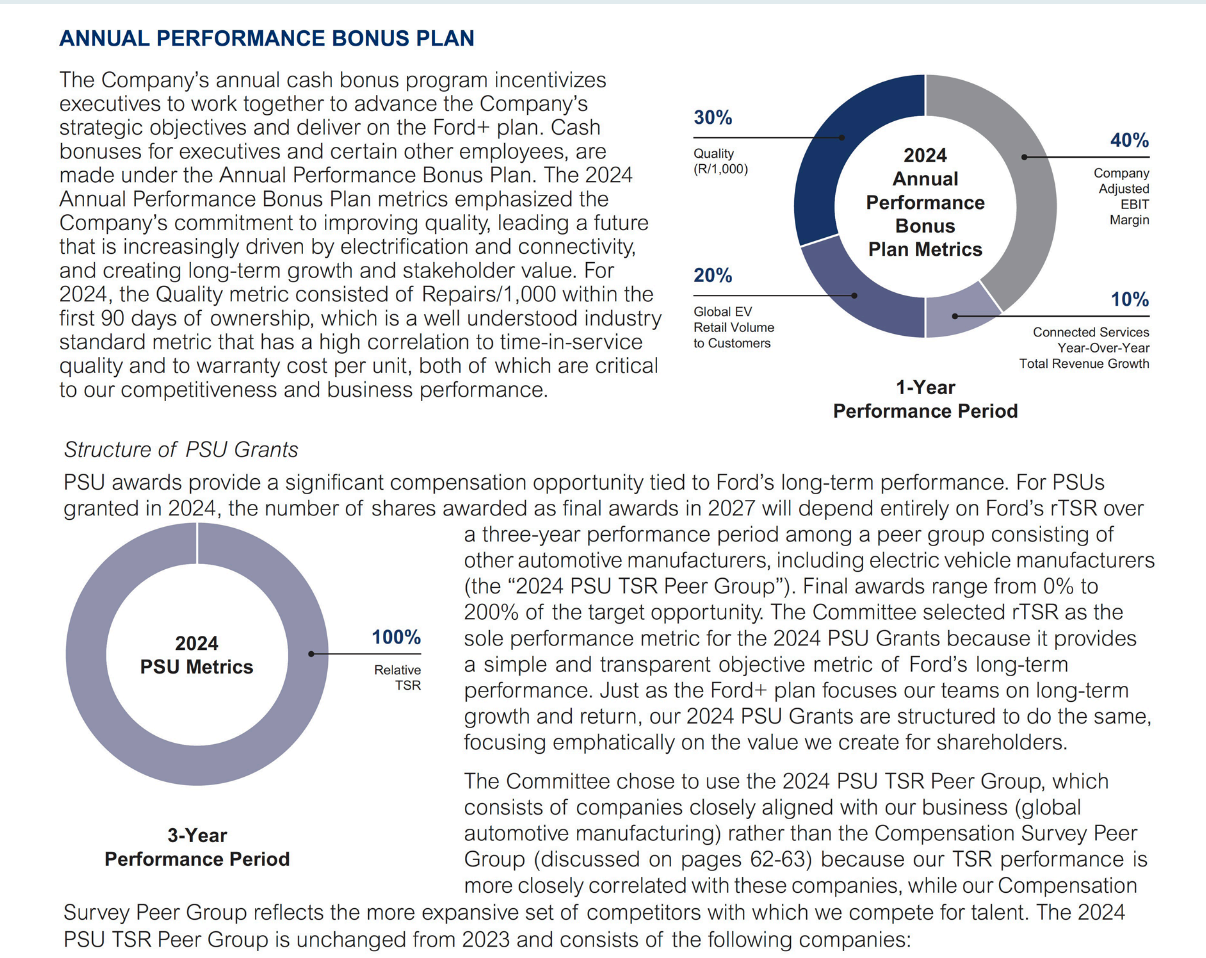
Ford – STI A1 / LTIP D5

*Table 30: **Ford** Summary Table*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✓	✓	A1
			LTIP	✗	✗	✗	D5

Ford's short-term incentive scheme uses a mix of financial and operational metrics. The financial metrics are company adjusted EBIT margin (40% weight) and connected services year over year total revenue growth (10%) weight. Operational metrics are quality (30% weight) and Global EV retail volume (20% weight). We consider EV sales to be a key part of the automotive industry's sustainable transition. As such we consider Ford's scheme to score A1 on our scale.

Ford's long-term incentive scheme uses a single external metric of relative TSR. Given the lack of any sustainability linked targets, we rate the scheme D5 on our scale.


ANNUAL PERFORMANCE BONUS PLAN

The Company's annual cash bonus program incentivizes executives to work together to advance the Company's strategic objectives and deliver on the Ford+ plan. Cash bonuses for executives and certain other employees, are made under the Annual Performance Bonus Plan. The 2024 Annual Performance Bonus Plan metrics emphasized the Company's commitment to improving quality, leading a future that is increasingly driven by electrification and connectivity, and creating long-term growth and stakeholder value. For 2024, the Quality metric consisted of Repairs/1,000 within the first 90 days of ownership, which is a well understood industry standard metric that has a high correlation to time-in-service quality and to warranty cost per unit, both of which are critical to our competitiveness and business performance.

Structure of PSU Grants

PSU awards provide a significant compensation opportunity tied to Ford's long-term performance. For PSUs granted in 2024, the number of shares awarded as final awards in 2027 will depend entirely on Ford's rTSR over a three-year performance period among a peer group consisting of other automotive manufacturers, including electric vehicle manufacturers (the "2024 PSU TSR Peer Group"). Final awards range from 0% to 200% of the target opportunity. The Committee selected rTSR as the sole performance metric for the 2024 PSU Grants because it provides a simple and transparent objective metric of Ford's long-term performance. Just as the Ford+ plan focuses our teams on long-term growth and return, our 2024 PSU Grants are structured to do the same, focusing emphatically on the value we create for shareholders.

The Committee chose to use the 2024 PSU TSR Peer Group, which consists of companies closely aligned with our business (global automotive manufacturing) rather than the Compensation Survey Peer Group (discussed on pages 62-63) because our TSR performance is more closely correlated with these companies, while our Compensation Survey Peer Group reflects the more expansive set of competitors with which we compete for talent. The 2024 PSU TSR Peer Group is unchanged from 2023 and consists of the following companies:

Figure 29: Ford 2024 variable compensation structures. Source: Ford 2025 Proxy Statement.

General Motors – STI A1 / LTIP D5

*Table 31: **General Motors** Summary Table*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✗	✗	B2
			LTIP	✓	✓	✓	B1

GM's short-term incentive scheme uses a mix of financial and operational metrics. The financial metrics are company adjusted EBIT (35% weight) and Free Cash Flow (25% weight). Operational metrics are EV retail volume (25% weight), &S - Vehicle Software Delivery On-Time and with Quality (10% weight) and AV Strategy (55 weight) . We consider EV sales to be a key part of the automotive industry’s sustainable transition. As such we consider GM’s scheme to score A1 on our scale. We do note however, that the EV target was modified during the year to focus on proftiability rather than the initial volume target.

GM’s long-term incentive scheme uses three financial metrics; relative TSR (40% weight), Free Cash Flow (40% weight) and Adjusted EBIT margin (20% weight). Given the lack of any sustainability linked targets, we rate the scheme D5 on our scale.

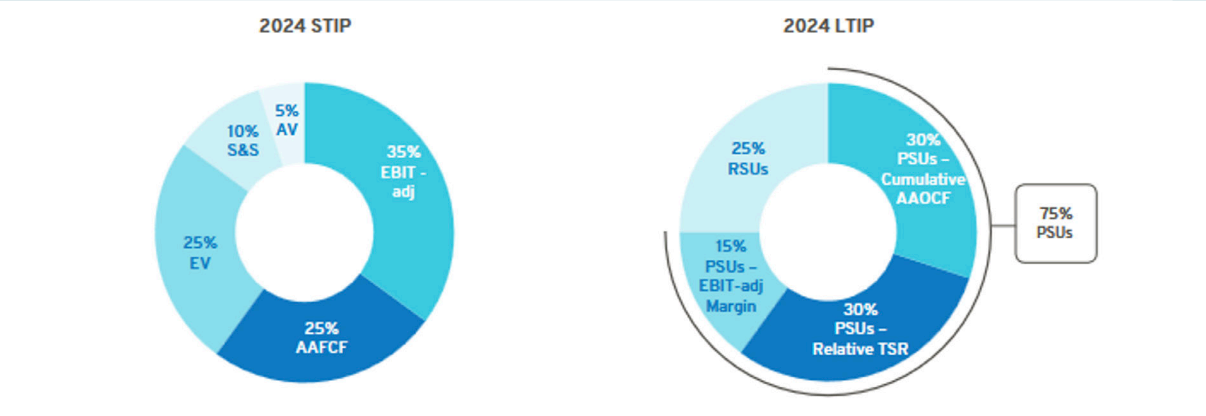


Figure 30: GM 2024 variable compensation target breakdown. Source: GM Proxy Statement 2024.

Honda – STI D5 / LTIP B2

Table 32: **General Motors** *Summary Table*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✓	✗	✗	B2

Honda targets for 75% of the Presidents & Executive Officer's pay to be performance based.

Honda's short-term incentive scheme has a maximum payout of 180% of the target. The payout is based on a company performance coefficient which ranges from 0-150% and an individual performance coefficient which ranges from 80-120%. The KPIs for the company performance coefficient are Operating Profit margin (50% weight) and Profit Attributable to owners of the parent (50% weight). How this is assessed or what targets are used is unclear. Given the lack of evidence of any sustainability element to the scheme, we rate it D5 on our scale.

Company's performance coefficient (Fluctuation range: 0-150%)

KPIs (Consolidated accounting)	Evaluation method	Weight of each KPI
Operating profit margin	Degree of achievement of targets	50%
Profit attributable to owners of the parent		50%

Individual performance coefficient (Fluctuation range: 80-120%)

KPIs	Evaluation method	Weight of each KPI
Individual targets set according to role	Degree of achievement of individual targets	100%

STI payment = Standard STI x Company's performance coefficient x Individual performance coefficient

KPIs		Evaluation method	Weight	Fluctuation
Financial indicators	Consolidated operating profit margin	Evaluated based on degree of achievement of targets	60%	40 to 240%
	Profit for the year attributable to owners of the parent			
Non-financial indicators	Brand value		20%	
	Total CO_2 emissions			
	Associate engagement			
Stock indicator	Total Shareholder Return	Evaluation based on relative comparison with the dividend-inclusive TOPIX growth rate for the fiscal year	20%	

* Non-financial indicators are evaluated based on the following indicators:

- Brand value: Survey of the Company's brand value by a third-party research firm
- Total CO_2 emissions: The amount of CO_2 emissions from corporate activities and products based on CO_2 emissions calculation methods used commonly in Japan (and globally)
- Associate Engagement: Survey of employee activeness in each region by a third-party research firm

Figure 31: Honda 2023 short-term incentive scheme structure. Source: Honda Form 20F 2023.

Honda’s long-term incentive scheme uses a mix of financial and non-financial targets. The financial targets (60% weight) are consolidated operating profit margin and profit for the year attributable to owners of the parent. They also use what they term a stock indicator or Total Shareholder Return at 20% weight. The non-financial targets have a 20% weight and include brand value, Total CO_2 emissions and Associate engagement. It is unclear what weight is given to the CO_2 emission target, but we could estimate it at around a third of the 20% allocated to non-financial indicators. Given the lack of clarity, we rate Honda’s long-term scheme at B2 on our scale.

Mercedes Benz – STI B2 / LTIP B1

Table 33: **Mercedes Benz** *Summary Table*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✓	✗	✗	B1

Mercedes Benz’s short-term incentive scheme uses both financial and non-financial targets. The financial targets are EBIT (50% weight) and free cash flow of the industrial business (50% weight). The target amount of bonus is multiplied by the performance on these criteria with a cap of 200% of target (target is 100% of base salary). This amount is then adjusted by up to plus or minus 10% by non-financial criteria including employee targets, customer targets and integrity targets. It is also modified by up to plus or minus 25% by transformation targets based on sustainability, social and governance. Currently, these targets are “CO_2”, “Safety Innovations” and “ESG Stakeholder Management”. It is unclear whether these are qualitative or quantitative.

The total payout is capped at 200% of base salary. This means that high performance on the financial criteria can render over-performance in other areas irrelevant.

Given the fact the targets are unclear and their materiality in overall pay can be heavily diluted, we rate the scheme at B2 on our scale but note the issue around financial targets potentially overriding sustainability overperformance.

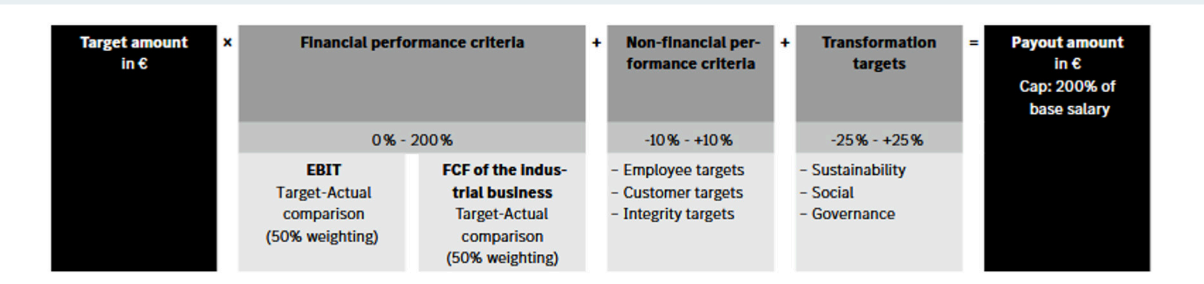


Figure 32: Mercedes Benz 2023 short-term incentive scheme structure.
Source: Mecedes Benz 2023 Remuneration system report.

Mercedes Benz's long-term incentive scheme has a total payout cap of 250% of the initial grant value. It has an 80% weight to financial targets of relative share performance and relative return on sales. This is complemented by 20% weighting to ESG targets. For the 2023 year, the ESG targets were based around hybrid and EV volumes, supply chain risk and diversity, equality and opportunity. The targets set are implied to be quantitative.

We note that strong share price performance could mean that the payout cap could be hit without delivering on the ESG targets. We rate the scheme at B1 on our scale but note this caveat.

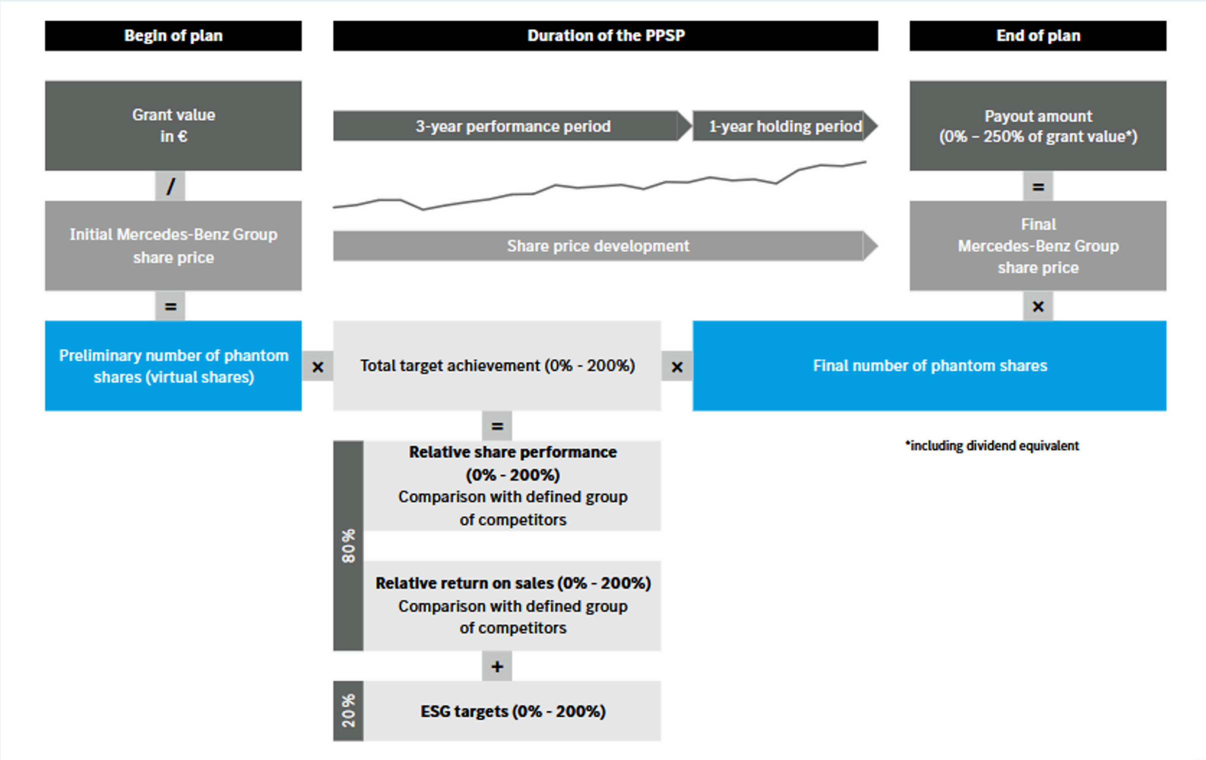


Figure 33: Mercedes Benz 2023 long-term incentive scheme structure. Source: Mecedes Benz 2023 Remuneration system report.

ESG targets PPSP tranche 2023			
Cate-gory	Sustainable urban mobility & electro mobility	Respect for human rights/sustainable sup-ply chains	Diversity & equal opportunity
Target	Share of plug-in hybrids and all-electric vehicles	Assessment of high-risk production materials	Approval rate in the employee survey on fair treatment

Figure 34: Detail on the ESG targets in 2023. Source: Mecedes Benz 2023 Remuneration system report.

Moller Maersk – STI D5 / LTIP B2

Table 34: **Moller Maersk** *Summary Table.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✗	✗	✗	D5
			LTIP	✓	✗	✗	B2

Maersk's short-term incentive scheme has a target payout of 100% of base salary and a Maersk's long-term incentive scheme focuses on ROIC (80% weight), but also has a 20% weight to ESG performance. Targets here include focuses on decarbonisation, diversity and safety. Given the inclusion of sustainability targets at what seems likely to be a close to material amount, but a lack of detail on the targets used, we rate the scheme at B2 on our scale.

Maersk's long-term incentive scheme has a three year vesting period and the total grant value awarded is up to a maximum payout of 200% of base salary. Financial metrics are Maersk EBIT (20% weight), Maersk Free cash flow (20% weight) and Terminals EBIT (10% weight). Transformation linked targets are Logistics & Services revenue (15% Weight), Logistics & Services EBIT (15% weight), Transformation progress – Integrator (10% weight) and Transformation progress – Terminals (10% weight). Given that sustainability is not mentioned as a potential target we rate the scheme D5 on our scale.

Qantas – STI A2 / LTIP D5

Table 35: **Qantas** *Summary Table.*

Sustainability policy	Explicit sustainabilty goals	Science based targets		Sustainability compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✗	STI	✓	✓	✓	B4
			LTIP	✗	✗	✗	B4

Qantas' short-term incentive scheme has a 100% of base pay target. In 2023/24 the scheme had a 50% weighting to underlying profit before tax; a 30% weighting to customer satisfaction; a 15% weighting to operational and workplace safety; and a 5% weighting to a quantitative target for reducing greenhouse gas emissions. The group scorecard average is then modified by individual performance assessment.

For 2024/25, Qantas is redesigning their STIP to remove the individual performance assessment and consist of a "balanced scorecard" of a mixture of financial and non-financial metrics alongside individual objectives. The payout will be 50% in cash and 50% in shares. Given the inclusion of sustainability at a noticeable 5% with a quantitative target, we score the scheme at A2 on our scale.

The Qantas long-term incentive scheme has a 160% of base pay target. The scheme uses Qantas TSR relative to peers and relative to the ASX100 as its measure. Commencing with the 2024-2026 scheme will add a measure of corporate reputation as measured by the RepTrak survey to the target mix. Given the lack of evidence of any sustainability element to the scheme, we rate it D5 on our scale.

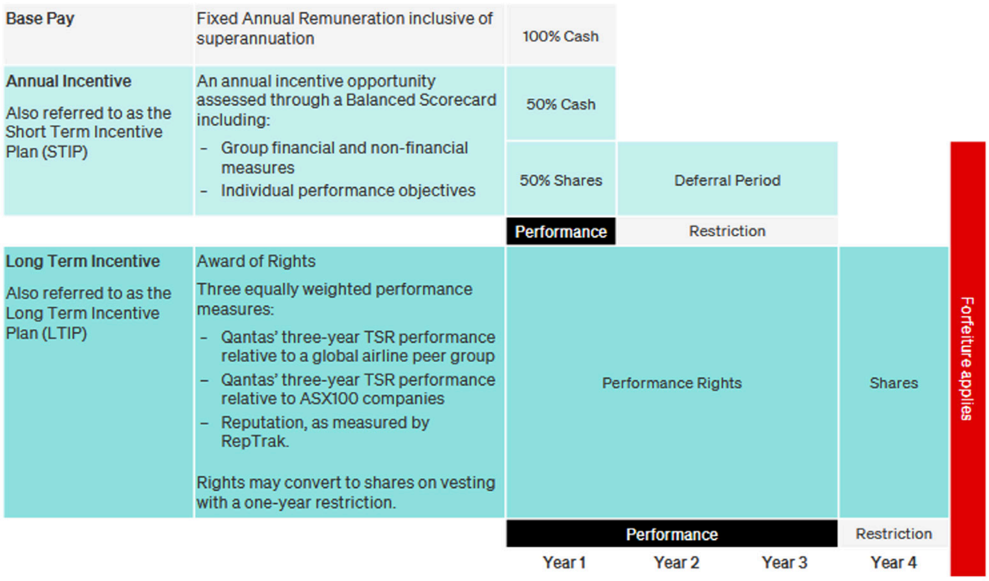


Figure 35: Qantas 2024/25 compensation structure. Source: Qantas Annual Report 2024.

Toyota – STI D5 / LTIP B2

Table36: ***Toyota*** *Summary Table.*

Sustainability Policy	Explicit sustainabilty goals	Science based targets		Sustainability Compensation link	Quantitative targets	Clear target disclosed	Overall
✓	✓	✓	STI	✓	✓	✓	D5
			LTIP	✓	✗	✗	B2

Toyota aims for 70% of CEO pay to be performance based.

Toyota's short-term incentive scheme is based on two financial metrics. It has a 70% weight to consolidated operating income and a 30% weight to the change in Toyotas market capitalisation. Given the lack of evidence of any sustainability element to the scheme, we rate it D5 on our scale.

Toyota's long-term incentive scheme is based on both financial and non-financial targets. The financial targets are consolidated operating income (35% weight), total shareholder return (17.5% weight) and return on equity (17.5% weight). The non-financial target is progress on sustainability issues (30% weight). The sustainability issues are stated to be: 1) Expanding the Value of Mobility; (2) Safety & Reliability; (3) Coexistence of Humanity & the Earth (including carbon neutrality); (4) Supporting the Community and Employment; (5) Active Participation for All; and (6) Strong Production and Business Operation. It is unclear the exact weight to each of these areas or exactly how they are assessed. Given this, we rate the scheme B2 on our scale.

STI	**Financial indicators**	(1) Consolidated operating income (single year)	Indicator for evaluating Toyota's efforts based on short-term business performance
		(2) Fluctuation of Toyota's market capitalization	Corporate value indicator for shareholders and investors to evaluate Toyota's efforts
LTI	**Financial indicators**	(3) Consolidated operating income (multiple years)	Indicator for evaluating Toyota's medium- to long-term efforts based on business performance
		(4) Total shareholder return	Corporate value indicator for shareholders and investors to evaluate Toyota's medium- to long-term efforts
		(5) Return on equity	
	Non-financial indicator	(6) Progress of efforts to resolve sustainability issues	Indicator for evaluating Toyota's medium- to long-term efforts based on the degree of corporate value enhancement
	Individual performance evaluation		Qualitative evaluation of performance of each member of the Board of Directors

Figure 36: Toyota variable compensation scheme structures. Source: Toyota 2024 Form 20F.

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Planet Tracker is an award-winning non-profit financial think tank aligning capital markets with planetary boundaries. Created with the vision of a financial system that is fully aligned with a net-zero, resilient, nature positive and just economy well before 2050, Planet Tracker generates break-through analytics that reveal both the role of capital markets in the degradation of our ecosystem and show the opportunities of transitioning to a zero-carbon, nature positive economy.

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